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ABSTRACT

This report provides United States corporate and union policymakers with practical information on one alternative work pattern for older employees--phased retirement--from European colleagues who already have implemented or negotiated specific phasing programs. An introduction provides details on the collection of information from companies in Europe offering phased retirement programs. The opening section of the book outlines the general conclusions regarding European phased retirement programs under these topics: program origins, company characteristics, program structure, eligibility criteria, corporate and participant costs and benefits, worklife extension or exit, union role, influence of government policies, and prospects for American application. A master reference guide is a useful index to selected European phased retirement programs. Thirteen European phased retirement programs selected for the study are highlighted in individual case studies grouped by country. The Old Age Spare Time Program, available to workers in the German brewery industry, is also summarized as a case study. Four other programs are described in shorter profiles. Country summaries preceding each national grouping of programs spotlight national issues, policies, or legislation that may affect individual company phased retirement programs. Appendixes include a report on development of phased retirement policy guidelines within the European community and the survey instrument. (YLB)

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ED230762

# PHASED RETIREMENT: THE EUROPEAN EXPERIENCE

Constance Swank, Ph.D.

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*To my parents, grandparents, and sisters*
*whose life phases have brought*
*meaning and joy to my own.*

# FOREWARD

As part of the continuing interest of the Florence V. Burden Foundation in the field of the aging, we have begun in recent years to support projects examining employment and retirement policies and practices. Harriet L. Warm, Executive Director of the Foundation from 1976 to 1981, commissioned the study of phased retirement which follows.

Certain demographic facts immediately assail us when examining the issue of retirement. A cluster of these facts outline the phenomenon now often labelled "the graying of the American workforce." Quite simply, the maturation of the baby born from 1946 to 1962 will create an unprecedented bulge in the numbers, first of older workers, then of retirees, in the next twenty to fifty years.

To us at Burden, it makes perfect sense to experiment now with the practical mechanisms that may help us later to confront that demographic bulge creatively. Phased retirement allows a reduction in work time for persons approaching their retirement date, granting time to pursue hobbies, voluntarism or make transitional arrangements. Phasing into retirement is thought to smooth out the adjustment from intense involvement in the work place to a more leisurely style. However, as of this study's date, few American examples exist of phased retirement, while European countries offer a rich variety of such programs. Therefore, in cooperation with the German Marshall Fund of the United States, we supported the National Council for Alternative Work Patterns in undertaking a series of case studies of various European models for phased retirement.

Interesting, though far from shocking, is this: the European cases raise as many questions as they resolve. Clearly, we still need a variety of domestic experiments. It would be most useful for a pioneer American corporation to trace out the total social costs of phased retirement. Maintaining the worker at the same pay and benefits, as most European programs do, while allowing reduced productive time, naturally adds some costs. But what if the program can be structured to reduce frictional costs of training new personnel? What if the program appears to reduce mortality among recently retired workers? Cost-benefit on a grand scale remains to be explored.

In this spirit of encouraging further inquiry rather than assuming resolution, we commend the following case studies to the attention of the American corporate community.

David M. Nee
*Executive Director*
*Florence V. Burden Foundation*
*New York, New York*
*November 1982*

The German Marshall Fund of the United States is pleased to have supported this study of phased retirement programs in five European countries. One of the Fund's principal purposes is to draw on the practical experience of other industrialized societies in identifying and defining alternative approaches to important social and economic issues. The transition between work and retirement is clearly just such an issue, one which imposes keenly felt and often contradictory pressures on both employers and employees. Employers want to reduce costs and provide opportunities for younger workers, while retaining productive workers and benefiting from their knowledge and experience. Employees nearing retirement often sense that they will be forsaking not only income but other non-financial benefits of working; they need help in avoiding the financial and emotional shock of moving abruptly from full-time employment to non-employment as well as in finding avenues for continuing to contribute to the collective good.

The NCAWP project has marshalled a wealth of information on various ways that the transition between work and retirement is being bridged in Europe. We hope that those concerned with alternative approaches to retirement, whether company officials, labor leaders, or government policymakers, will learn from the variety of experiences reported here and find options worth exploring.

Peter R. Weitz
*Director of Programs*
*German Marshall Fund*
*of the United States*
*Washington, DC*
*November 1982*

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The members of the Project Advisory Panel—through their contributions of expertise, technical insight, and pioneering spirit to learn more about phased retirement—brought this study a qualitative depth it would not otherwise have enjoyed. These individuals are listed elsewhere in the front material—I acknowledge them here for their substantial assistance.

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Constance Swank
Washington, D.C.
November 1982

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Constance Swank served as the Project Director for the National Council for Alternative Work Patterns' European Phased Retirement Study. Prior to assuming that position, she was a legislative aide for health, education, social services, labor, and aging issues to U.S. Senator John C. Culver (Iowa). The author received a doctorate in Communication Research from the University of Iowa in 1977, and since then she has published in the areas of mass communication, gerontology, and older-worker employment. Dr. Swank is now a State Legislative Representative for the American Association of Retired Persons in Washington, D.C.

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The National Council for Alternative Work Patterns, Inc., is a non-profit tax-exempt membership organization dedicated to solving business problems related to efficient work scheduling and to assisting workers in achieving harmony between their working lives and their family and personal lives. As the nation's first organization to be formed to concern itself exclusively with the study of worktime distribution, the Council conducts research into various forms of work scheduling options, convenes conferences, publishes a number of reports and books, and serves as a trendspotter and clearinghouse for information on flexible and reduced work hour programs. NCAWP responds to a heavy volume of information requests from media, industry, government, labor, and interested individuals.

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# INTRODUCTION

This report is designed to enable business and industry in the United States to gain from the lessons learned by European employers and unions in the development and administration of phased retirement schemes.

The aging of the labor force in the United States and throughout Europe is well documented and presents major challenges to corporate, labor, and government policymakers. Changing ratios between working and non-working populations have forced industrialized nations to wrestle with the inherent problems of meeting the diverse and sometimes mutually exclusive needs of both groups. Short and long-term strategies are needed to bolster social security and pension funds, reduce unemployment, and provide business and labor with new approaches in meeting changing workforce and organizational needs. Technological advances and increased demand for more leisure time and flexibility in employment have convinced many that our traditional time-structures for working life may no longer be productive or beneficial for employers and employees.

## BACKGROUND

Research has shown that the abrupt cessation of work often accompanying entry into retirement can be traumatic and damaging for many older workers. The sudden drop in income, loss of companionship and stimulation derived from the workplace, and adjustments to personal relationships and to the substantial increase in unstructured leisure time are factors with which many persons leaving a lifetime in the labor force have difficulty coping.

Over the last decade or so, numerous firms in several European countries have introduced innovative alternatives to abrupt and full retirement. These programs, best known as phased, gradual, transition, or gliding retirement schemes, typically allow older workers to reduce their working time in stages–daily, weekly, monthly, or annually–in the months and in some cases, years preceding full retirement. Employees are permitted to ease into retirement usually with little or no reduction in net compensation and benefits.

Most programs appear to have been instituted by employers, but a number of phased retirement plans have been implemented through collective bargaining within firms or across industries–in both cases, often out of a sense of social responsibility for employees who have provided long service. Some firms have also found the programs useful in training successors for retiring workers and for achieving needed though voluntary workforce reductions that are attractive to employees. Two countries–Sweden and Norway–provide the opportunity for older workers to ease into retirement through nationally-legislated schemes affecting all firms in these nations. And France has recently enacted legislation which permits firms that enter into "solidarity contracts" with the government to allow their older workers starting at age 55 to reduce their work time by half, provided employers replace the lost hours with new hires. Based on the experiences of individual companies, whole industries, and even countries, the European community in various assemblies of government, labor, and employer representatives has endorsed and encouraged the development of even more extensive phased retirement opportunities for older workers in the future.

An *International Management* study published in that journal in October 1981, surveyed 3,000 executives and personnel managers in 10 Western European countries. Of the 896 firms returning usable questionnaires, 1 in 6 offers a phased retirement plan. Not surprisingly given the national partial pension scheme, Swedish firms hold the lead in providing transition retirement benefits for their workers (43 of the 95 Swedish companies surveyed reported phasing programs). One-fifth of the Dutch and United Kingdom managers responding claim to offer phasing plans and 38.9 percent of the Dutch and 29.9 percent of the British firms are expanding their programs. The *International Management* survey concluded that phased retirement is least popular in Germany, Italy, and Spain.

The growth of phased retirement schemes in Europe, however, has not been matched in the United States. In surveying the available literature and in cooperation with European researchers, the National Council for Alternative Work Patterns (NCAWP) identified over 80 individual firms across Europe, excluding countries with national plans, offering phased retirement benefits. Fewer than 20 firms surfaced in a similar inventory by NCAWP of private-sector programs in the U.S.

The reasons for the trans-Atlantic disparity are not entirely clear. A number of researchers (Morrison, 1979; Nusberg, 1980) suggest that American policymakers have taken the lead in providing flexibility to older workers through measures alleviating age discrimination in employment, while their European counterparts have focused on flexibility in pension schemes and personnel practices. Foreman (1982) attributes the "conspicuous absence" of phased retirement applications in the U.S. to a "classic resistance to change, combined with sheer laziness" inspite of "clear evidence that the company itself stands to gain in good will and increased productivity" (p. 7). Shkop and Shkop (1982) maintain that few organizations have implemented retirement modifications because employees have not expressed a desire for such options, perhaps out of ignorance that schedule and job changes can happen, and unions remain indifferent to the issue. And finally, Lyons (1981) explains the scarcity of corporations offering retirement alternatives to "a lack of information about older workers' preferences, administrative problems, and an unwillingness to change employment policies without knowing the cost of such programs" (p. 180).

Regardless of the underlying reasons, the experiences of American business and labor in developing phased retirement programs have been limited to date, although interest in alternatives to sudden, full retirement is growing. National polls by Louis Harris (1979, 1981) indicate an expressed desire by older persons as well as younger ones in alternatives to sudden, full retirement. A Conference Board study (1978) of retired executives found similar interests. Recommendations by the President's Commission on Pension Policy (1981), the White House Conference on Aging (1981), and the Federal Council on the Aging (1980) urge expansion of alternative and part-time work options for older persons.

In responding to the demands for retirement flexibility and alternative work options for older employees, American companies are currently stymied by the relative scarcity of programs in this country designed to address those mandates and by the correspondingly limited information on relevant operational and cost/benefit concerns. This report is intended to provide U.S. corporate and union policymakers with that practical information on one alternative work pattern—phased retirement—from their European colleagues who have already implemented or negotiated specific phasing programs.

## RESEARCH METHOD

In early 1981, the National Council for Alternative Work Patterns (NCAWP) contacted 84 European firms identified in the available literature and by researchers and gerontologists in the U.S. and Europe as offering phased retirement programs. These companies (located in Belgium, Federal Republic of Germany, France, Great Britain, The Netherlands, and Switzerland) were invited to submit preliminary information on their firms' phased retirement plans, the rationale for implementing those schemes, program provisions and eligibility requirements, participation rates and evaluative data, and workforce characteristics. Companies were also asked their willingness to participate in more extensive on-site discussions about their programs with an American research team. Of those companies contacted, 27 (or 31 percent) responded to the initial NCAWP inquiry. Of those responding, 15 agreed to participate in the study.

Ten firms were selected by the NCAWP staff for on-site reviews. Programs in these companies were chosen based on their longevity, participation rates, variety in the type of workhour reductions used in the phasing process, and industrial and geographical diversity. Three Swedish firms identified by Göran Crona, an expert on that country's national partial pension plan, also agreed to participate in the project. They were included in order to explore operational differences, if any, between company-initiated and legislatively-mandated phased retirement programs.

With technical assistance from an American advisory panel of corporate, labor, aging, and government representatives (see preface for panel list), NCAWP developed an extensive interview schedule to be used in the European on-site reviews. The survey instrument (see appendix for complete schedule) included questions regarding program development, administration, provisions, costs and benefits, evaluation, and future plans. The thirteen European firms received copies of the survey instrument (English, French, and German versions) prior to the on-site discussions in order to facilitate preparation of needed data and documents. Scheduling limitations ultimately forced one firm (Pieroth) to respond to the interview schedule in writing.

The American research team conducting the on-site interviews included Joan Waring (Corporate Research Director, The Equitable Life Assurance Society, New York), R. James Messinger (Benefits Manager, J.C. Penney Company, New York), and Dr. Constance Swank (NCAWP Project Director, Washington, D.C.). Team members met with chief executive officers, personnel administrators, compensation and benefits managers, pension and retirement program staff, and program participants in the selected firms and also with representatives of national employers and trade union groups in several countries. Transcripts of all discussions and written materials furnished by the European firms and organizations form the basis of the case studies and conclusions reported in this book.

## REPORT FORMAT

The thirteen European phased retirement programs selected for this study are each highlighted in individual case studies grouped by country. The phased retirement scheme known as the Old Age Spare Time Program, which is available to many workers in the brewery industry in the Federal Republic of Germany, has also been summarized as a case study. In addition to the fourteen case studies, four other company phased retirement programs which could not be included in the formal on-site reviews are described in shorter profiles.

Country summaries precede each national grouping of programs and are designed to spotlight national issues, policies, or legislation which may affect individual company phased retirement plans. The summaries are provided to help readers in placing the various programs in a broader political, social, and economic context, and are in no way presumed to be in-depth analyses of the different national social security systems, pension plans, or economic situations.

The opening section of the book outlines the general conclusions drawn by the research team regarding European phased retirement programs. The final section of the report describes the activities of the European assemblies of government, labor, and employer representatives vis-à-vis phased retirement–their policy statements, deliberations, and recommendations on the issue. Readers interested in particular types of phased retirement programs–perhaps those offering

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shorter workdays or those in Great Britain or those offered by firms with fewer than 500 employees–will find the Master Reference Guide a useful index. The Guide follows the Project Findings and precedes the Country Profiles and Case Studies.

# PROJECT FINDINGS

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The findings of the NCAWP research team suggest that alternatives to full, abrupt retirement may benefit both business and labor. With due caution given the small sample size and recognizing that the experiences of European firms may not be entirely generalizable to American companies, a number of conclusions can be drawn regarding phased retirement programs as they operate in the corporate setting.

In brief, the programs have helped older workers ease into retirement, enabled management to assign personnel more efficiently, trained successors for retiring workers, achieved voluntary workforce reductions, proved relatively easy to administer, and gained the support of labor. These findings are explored in greater detail in the sections which follow.

## PROGRAM ORIGINS

Phased retirement programs in Europe until recently have been initiated by top-level management within individual companies out of concern (some officials even call it paternalism) for their older workers. The sense of corporate social responsibility for worker welfare even in retirement is coupled with a common belief than abrupt cessation of work results in physiological and psychological damage to the employee–consequences which can be alleviated through gradual reductions in working time leading up to full retirement.

Phased retirement schemes can also be the product of collective bargaining. Several unions in the Federal Republic of Germany and in Great Britain have negotiated or are now encouraging phasing programs as part of their labor-management agreements.

A notable exception to the company-initiated plan but one stemming from union pressure over employee welfare is the Swedish partial pension scheme. The program allows eligible workers nationwide to reduce their working time in the years preceding pensionable age and to receive a stipend offsetting the subsequent reductions in wages and salaries due to the shift to part-time employment. Similarly, recent legislation enacted in France will allow workers to retire early or to move to half-time schedules in a progressive or phased retirement plan, provided their employers replace them with young or unemployed persons. The legislation may ultimately make many of the company-initiated phased retirement plans in France obsolete.

The majority of plans included in this report are ones conceived of and implemented by top management. Exceptions include the cigarette manufacturer Reemtsma which follows provisions established in an industry-wide collective bargaining agreement in the Federal Republic and the three Swedish organizations which adhere to the national partial pension scheme. Regardless of program origin though, the phased retirement policies offered by companies in this study are viewed by the firms as evidence of a sincere corporate commitment to employee welfare. In fact, many of the companies see themselves as pioneers generally in the development of personnel policies that benefit their workers.

## COMPANY CHARACTERISTICS

### Workforce Size

Given the sample selection process which purposely included a diverse set of companies for review and the sample size, it is difficult to draw substantial conclusions regarding the type of organization most likely to adopt a phased retirement program. Firms in this research project ranged in size from 200 to more than 8,000 employees. When asked if labor force size did or could affect the success of a phased retirement program, company personnel officials offered differing views. Those from relatively large organizations indicated that size enables them to provide full operational coverage despite the absences of workers phasing into retirement but expressed concern that smaller businesses might find such coverage more difficult due to the need for part-time replacement personnel. Representatives from smaller firms disagreed, and they wondered if large companies with more participants in such phased retirement plans would find them too costly to offer or too complicated to administer. It appears, based on the experiences of the project companies, that workforce size is not a major factor in the implementation of phased retirement.

## Type of Industry

In the same way, although the majority of firms included in this study are manufacturing enterprises, phased retirement provisions do not appear limited to such firms. Plans have been introduced successfully in the insurance industry in France and throughout the public sector in Sweden. Even within the manufacturing firms surveyed, the phased retirement provisions typically apply to both blue-collar and white-collar workers, suggesting that phasing policies can cut across occupational categories as well as industrial. Certainly, while disability retirement rates among manufacturing workers in Sweden's metal industry were the catalyst in the union fight for reductions in working time for older colleagues, the resulting partial pension scheme covers all companies including self-employed workers. In the final analysis, the desire to avoid abrupt cessation of work and its consequences and the need to prepare individuals for lives away from the factory or office appear universally applicable and not industry specific.

## Demographic Profile

The age profiles of the company workforces studied in the NCAWP research are also varied and do not appear to be a major impetus or impediment to the development of phased retirement plans, at least up until now. According to a Deutsche BP official, a younger workforce does allow the company time to resolve any administrative or operational tangles in a phasing program before large blocks of employees reach eligibility for the plan.

Demographic characteristics may take on new importance in the future, however, as more and more workers enter phased retirement. Escalation in participation rates may cause program outlays in salaries and benefits for non-working time to become excessive and may force changes in time-off provisions if coverage coordination becomes too difficult. Bekaert in Belgium provides an interesting case study in the evolution of a phased retirement plan which was modified due to over-subscription and high costs.

## PROGRAM STRUCTURE

### Entry Dates

Phased retirement broadly defined is any program allowing for gradual decreases in working time in the period preceding full retirement. In the firms reviewed by NCAWP, phased plans begin anytime from one year to five years prior to a worker's retirement. Variation may depend on program purpose. At Joseph Newsome & Sons in the U.K., for example, shop foremen must enter the program in their final year while managers must participate in the phasing process during their last two years. The program serves as the company training mechanism and according to the chief executive officer at Newsome, managers take longer to train than shop foremen. The time of entry into phased retirement may be left to the individual employee, upon reaching a specified age, as is the case at the Laboratoires Boiron and Delalande and in all the Swedish organizations. And the phasing period may change over time as it has at Bekaert in Belgium, where the retirement program has evolved from a one-year plan to a five-year one to allow participants more time to adjust to and prepare for full retirement.

### Arrangements for Worktime Reduction

The reductions in working time critical to phased retirement take almost as many forms as the programs themselves. Generally, most of the European companies provide for gradually shorter workdays or workweeks, but some offer extended leaves up to one month. Program patterns are not consistent within countries or industries. The Laboratories Delalande program provides 10, 20, and 30 days of extra leave to workers at age 62, 63, and 64, which employees can take in whatever blocks they choose—days, weeks, or months. By contrast, another French pharmaceutical firm reviewed—Laboratoires Boiron—provides a five-year program of incremental reductions in working time which employees must take in half-day segments on a weekly basis.

Personnel administrators disagree on what is the best phased retirement structure for participants or for the company. Some argue that extended leaves are too much like vacations and fail to give workers a realistic picture of retirement. Others maintain that an hour or two taken off each workday is too short a leave for employees to become accustomed to the unstructured leisure time they will find in retirement. A British trade union advises local units to negotiate phased retirement leaves for the winter months in order to give workers a true taste of retirement at its harshest, and Workers Councils in the German brewery industry report that leaves for pre-retirement must be taken in non-summer months to avoid upsetting vacation plans of other full time workers.

Some corporate officials contend that very short absences by older workers are no different than the absences created by employees on travel or out of the plant for meetings. On the other hand, argue some administrators, extended work absences can create the same trauma for employees attributed to abrupt retirement–the very problem that many of the programs are designed to alleviate. And program participants themselves provide no clues when asked what is the best way to phase into retirement–most like whatever plan they happen to follow.

The prevalence of shorter workday and workweek phased retirement options rather than extended leaves among the European firms studied may be due in part to the relatively long vacation times (4-5 weeks) which workers in many of the countries visited already receive by legislative mandate or collectively-bargained contracts. Companies may have elected to give older employees nearing retirement structured reductions in the days and weeks of work. Indeed employees with fewer weeks of vacation time, including many in the U.S., might prefer extended leave options as a way of easing into retirement rather than shortened workdays or workweeks.

Whatever form the phasing process takes, most programs reviewed by NCAWP mandate that workers decide on the work-reduction plan they intend to use and adhere to it for a specified time. Such provisions permit companies to schedule needed relief personnel in advance and to plan work loads more effectively by eliminating random absences due to phased retirement. (The impact of phased retirement on scheduling is discussed later.)

Finally, a few programs such as Bekaert and Pieroth link their phased retirement plans with company-sponsored pre-retirement seminars on issues facing retired persons (e.g., financial planning, housing adjustments, interpersonal relationships, use of leisure time). These seminars are scheduled during the leave times given participants phasing into retirement, and attendance at them is mandatory.

## ELIGIBILITY CRITERIA

With two exceptions, the phased retirement programs surveyed by NCAWP in this report are voluntary options for eligible workers. The U.K. firms of Carborundum and Joseph Newsome & Sons mandate participation. In most programs, employees can participate merely upon reaching a certain age, but some firms do enforce a service requirement (5-10-15 years) and some limit enrollment to specific grade levels.

Joseph Newsome is the only company in the sample which limits participation to managers and shop foremen, maintaining that the senior-level program is critical to the training of succeeding staff. While Newsome officials acknowledge that rank-and-file could benefit from phased retirement, they believe the costs to the company in paid non-working time would be excessive at the present time and cannot be justified in training terms. The few programs which exclude managers and senior staff (Reemtsma and Pieroth) do so either because the companies contend that job responsibilities at such grades preclude work-hour reductions or because such grades are not included in the collective bargaining agreements setting up the phased retirement programs.

The consensus from most of the firms regarding program eligibility seems to be that all workers can benefit from phased retirement. Any eligibility limitations are due more to program costs, employee job responsibilities, or specific labor-management contracts than to the need for the program for all employees.

## CORPORATE COSTS AND BENEFITS

### Compensation

Financial costs of phased retirement programs are viewed by the participating companies in the NCAWP study to be so low that they are not even calculated in most firms. The only specific data available pertain to salary and wage costs, and even these figures are available for only a few companies and represent a very small portion of overall compensation outlays. For example, Swedish firms pay a fixed percentage (0.5) of payroll costs to finance the partial pension scheme, and the Laboratoires Boiron estimate program costs to be a mere 0.13 percent of total salaries.

When asked about program costs, several program administrators suggest that corporate outlays for phased retirement in comparison with total corporate costs are low for their organizations simply because they are capital-intensive firms. They predict that costs associated with phased retirement in labor-intensive industries would be much more significant. (Presumably, all personnel policies would be comparatively higher in labor-intensive than in capital-intensive organizations.) But the more labor-intensive firms included in the NCAWP sample–namely Huddinge University Hospital and G.A.M.F.–also find their phased retirement programs to be relatively inexpensive.

Low program costs, whether perceived or actually computed, appear largely correlated with participation rates in the NCAWP firms. Although an overwhelming majority of eligible workers choose to participate in their company phased retirement programs, the fact remains that for most firms, few workers are currently eligible compared to the size of the overall workforce. The low enrollments are due in some cases to the relatively young age of the workforces, and in others to the financially attractive early retirement and redundancy plans which entice many older workers into retirement before they reach the eligibility age for the company phasing plan.

The current situation aside, most company officials acknowledge that their firms are aging demographically and that over the coming decades, more workers will become eligible for and undoubtedly enter phased retirement programs. Increased enrollments will mean higher costs and may eventually necessitate program provision changes. For now, however, company executives are less concerned about the costs associated with phased retirement and more concerned about rising expenditures for other social programs (e.g., social security, health benefits, unemployment insurance). As long as phased retirement schemes continue to provide benefits to the company, even if they are not calculated precisely, corporate officials see no reason to adjust or eliminate the programs to achieve personnel savings.

Just as the costs of phased retirement in terms of salary outlays remain largely uncalculated, so do the costs and benefits to the firm in terms of productivity, workforce morale, absenteeism, training, retention, and the host of factors which corporate executives must consider when weighing the advantages and disadvantages of a personnel policy. Again, the absence of empirical information regarding costs and benefits in these areas may be due largely to the relatively low participation rates in the programs to date. Corporate officials interviewed for this study strongly believe that phased retirement programs have not proved costly to their companies, but they do not have quantitative evidence to support their contentions.

## Operational Impact

European phased retirement programs for older workers have not resulted in severe scheduling and coverage problems for the surveyed firms. In fact, the programs allow and even compel managers and participants to plan work assignments over time, resulting in more effective operations generally. Both employers and employees are forced to recognize that workers will one day leave the company, and preparations to replace them are essential to good management.

Absences due to phased retirement are usually known in advance–in some cases, as long as one year ahead of time. To assure full coverage, a few companies pair participants in job-sharing arrangements, each employee working a complementary schedule. Other firms utilize new hires, reserve labor pools, or job rotation systems already in place to cover for vacancies due to phased retirement. Absences due to phasing are handled in the same way absences are filled due to employee illness, vacation, or other forms of leave.

Participants in most programs must schedule their workhour reductions with their immediate supervisors to insure that both employee and company needs are met. And in the German cigarette industry, phased retirement leaves must be approved not only by the company and employee but also by the Workers Council to insure that the needs of all parties affected are met–participant, firm, and co-workers who often must assume additional tasks during the phased retirement of a colleague. In many firms, once phased retirement schedules have been determined, they must be adhered to for a set time period. Such provisions minimize lapses in coverage and enable firm and participant to plan ahead for the phasing process.

### Productivity

Based primarily on anecdotal evidence and managerial reports, phased retirement programs in the companies surveyed by NCAWP have neither impaired nor increased productivity levels directly. Most company officials believe, however, that employees appreciate the opportunity to ease into retirement without economic hardship—an option which may indirectly contribute to greater job satisfaction and eventually to improved productivity. For employees in poor health, the reduced work schedules may enable them to work longer than they might otherwise be able to without phased retirement; but that relationship has not been established empirically in any of the firms in the study.

### Training Value

Several firms including Joseph Newsome & Sons in the U.K. and the three Swedish organizations use the phased retirement programs as training vehicles for younger employees. Retiring workers and their successors are paired during the final months of the phasing process, with responsibility and decision-making authority transferred in stages to the incoming employee as the retiring worker increasingly assumes the role of a consultant. Even when training is not the primary rationale for the program, many firms see it as a beneficial byproduct of the phasing process.

### Workforce Morale

Company and labor representatives and program enrollees report little or no conflict between participants and non-participants, even though younger workers may be called upon to absorb tasks previously completed by older workers now on reduced schedules. Most corporate and union leaders view the phased retirement schemes as benefits rightfully earned after years of service which eventually will be enjoyed by all workers. Participants interviewed in this study perceive no stigmatization by their colleagues as a result of entering the program.

### Summary

Despite the lack of documentation, most company officials maintain that employees appreciate the phased retirement opportunity, that the gradual exit of older workers forces management to plan assignments and personnel workloads more efficiently, that phasing programs have not proved difficult to administer, and that labor unions and labor representatives support the concept. These factors constitute significant benefits to the companies sponsoring phased retirement programs.

## PARTICIPANT COSTS AND BENEFITS

### Compensation

The phased retirement programs reviewed by NCAWP in Europe are generally designed to provide participants maximum benefits at minimum costs to the employee. In a majority of the plans, older workers enrolled retain full wages and benefits despite their reductions in working time. Exceptions are the three firms covered by the Swedish partial pension scheme and the Pieroth winery in the Federal Republic of Germany, all of which reimburse workers for 50 percent of wages lost due to reduced hours, and the French Laboratoires Boiron which prorate salaries to hours worked.

When wages and salaries are unaffected by participation in phased retirement, pension contributions and benefits of course remain unchanged. But even those employees in the Swedish partial pension plan, the Pieroth program, and the Boiron scheme whose incomes are reduced slightly due to fewer hours worked continue to accrue pension credits and benefits as though their wages and salaries were unaffected.

### Benefits

Fringe benefits such as holiday, vacation, and sick leave are similarly unaltered by participation in the European phased retirement programs reviewed. Automobile privileges at Volvo and office space at L.M. Ericsson are the only perquisites affected in some instances by participation in the Swedish partial pension plan. However, overtime work by participants is prohibited in a few programs on the grounds that employees choosing to ease into retirement by reducing their hours on certain days should not be permitted to extend their hours on other days.

## Job Modification

Though not always guaranteed, workers participating in company phased retirement plans usually are allowed to continue in their same jobs despite their reduced workhour schedules. Some firms such as Deutsche BP and L.M. Ericsson report that job redesign or job transfers are necessary for certain occupational categories (e.g., sales staff, shift workers, managers, and senior-level employees) in which the responsibilities of the job are judged to be incompatible with part-time schedules. In most companies, however, the phasing process can be accomplished without job change for the participants.

If transfers or down-grades are needed to allow older workers to enter the program, provisions are usually incorporated into the phased retirement policies specifying that employees are to remain at their former, higher compensation levels. At Carborundum in the U.K., initial program provisions were amended to provide this income guarantee after a participant suffered financial loss due to the change from shift work to day work. Such guarantees are also in place at Pieroth and Deutsche BP in the Federal Republic of Germany.

Participants acknowledge that their jobs and responsibilities often change overtly or subtly with their entry into phased retirement, but they do not perceive any consequent loss in status.

## Program Satisfaction

In general, the phased retirement plans in effect in the companies surveyed do not appear to cost participants economically, socially, psychologically, or physiologically. By contrast, the programs seem to offer genuine benefits appreciated by older workers nearing retirment. Studies conducted in Sweden suggest that health (as indicated by use of sick leave, etc.) may decline more slowly among partial pensioners than among disabled pensioners or full-time employees in the same age category. The options to reduce working hours with little or no financial penalty and the opportunity to enjoy an increased amount of leisure time are considered by participants (and employers) to be benefits rightfully earned by virtue of long years of service. The plans are especially helpful in forcing employees, supervisors, colleagues, and families to prepare for a worker's retirement. Program participants and labor representatives interviewed by NCAWP team were unanimous in their support of phased retirement.

## WORKLIFE EXTENSION OR EXIT?

While phased retirement programs have not been used to force older workers out of the labor force prematurely, neither have they served to extend the working life of employees beyond "normal retirement ages" in Europe. All of the phasing options surveyed in the report are available to workers in the years *preceding* pensionable age, which in some firms is also a mandatory retirement age; but they do not continue *past* that age. (In the case of Pieroth, eligible workers may elect to work beyond retirement age under individual contracts with the firm and at collectively bargained wage rates.)

Excepting mandatory plans, participants are not locked into phased retirement programs and have the option to return to full-time work if they find the phasing process unsuitable to their needs. None of the programs reviewed, however, has recorded any reversals in employee decisions to phase into retirement. That may be due in part to the participant involvement in the planning of the phasing schedule and also to the gradual nature of the worktime reductions enabling older workers to adjust slowly rather than suddenly to the changes in their life style. But probably the most important explanation for the demonstrated participant support of phased retirement is the fact that most programs maintain full or nearly full net compensation and benefits levels during the phasing period. Thus, workers have no financial incentives to return to the labor force once they enter the gradual retirement process.

Earlier rather than later retirement ages appear to be the trend throughout Europe. Recessionary pressures and high unemployment rates in the surveyed countries have led some employers and governments respectively to offer generous early-retirement provisions as one way to trim labor forces or to open up jobs for younger unemployed workers. These early-out benefits are often more attractive to older employees then either the phased retirement benefits or remaining in the workforce full-time until pensionable age. As a result, many employees choose an early exit from the labor market before they even reach eligibility for their firm's phased retirement plan. (The governmental impact on private-sector phased retirement schemes is discussed in more detail in an upcoming section.)

## UNION ROLE

All firms represented in this study are unionized at the blue-collar and white-collar levels. The involvement of organized labor in the development and implementation of phased retirement programs in the NCAWP sample, however, varies considerably from firm to firm.

The Swedish partial pension plan is probably the most notable example of union involvement in the formulation of a phased retirement plan. The nationwide partial pension grew out of proposals made by the metal workers' union to the government. Subsequent attempts by the Swedish employers' organization to make phased retirement a matter for collective bargaining failed principally because the trade unions wanted the program legislatively mandated for all companies.

Alternatively, long-standing phased retirement programs in Great Britain appear to have been started by corporate management without union involvement, while more recently-initiated U.K. plans are often the result of labor negotiations. The co-determination structure in the Federal Republic of Germany requires employee representation and voice in the implementation of personnel policies–including phased retirement. As a result, the plans in place in the German cigarette and brewery industries, for example, are the product of collective bargaining between employers and the N.G.G. union.

Whether involved or not in the development of the surveyed programs, without exception, labor representatives in every firm visited by the NCAWP team applaud the concept of phased retirement as a means of humanizing the workplace for older employees and helping to prepare these individuals for full retirement. Moreover, union officials, particularly in the

U.K., view retirement flexibility as one means of reducing unemployment among the young by allowing older workers to retire in part or in full earlier than originally planned.

In assessing the benefits of phased retirement, union officials in general are quick to insist that any transition schemes must protect participants from serious losses in compensation, benefits, and retirement income. Beyond this, the reductions in working time awarded older workers are viewed by many European labor organizations surveyed as preliminary steps to the attainment of shorter workweeks for all employees, despite claims by employers' groups that such accommodations for all workers would be too costly.

Within individual companies, union offices often assume responsibility for alerting eligible employees to the phased retirement options available and for helping workers determine what financial costs, if any, they might incur by participation. At L.M. Ericsson for example, the union assists older workers in arranging for job-sharing pairs to minimize difficulties in identifying part-time employment for individual workers.

## INFLUENCE OF GOVERNMENT POLICIES

Phased retirement programs, despite their operation in the private sector, do not function in a vacuum vis-à-vis governmental policies. All plans are oriented to the pensionable retirement ages of the various state social security systems. Efforts to stem unemployment in the U.K., Belgium, and France have led the governments in these countries to implement early retirement incentives that have enticed many older workers to leave the workplace ahead of schedule. The net result has been to reduce participation rates in many of the company-sponsored phased retirement programs which are not open to employees as early as the public-sector programs and are usually no more generous than the state provisions.

The impact of governmental policies on private-sector phased retirement plans has been particularly evident in France. A national guarantee-of-resources available since 1978 to workers who voluntarily retire between the ages of 60 and 65 pays beneficiaries approximately 85 percent of their former net income. Predictably, many potential enrollees in company-sponsored phased retirement plans have chosen to retire fully and early under the government plan rather than to wait until eligible for the company plan under which they would still have to work part-time.

Legislation recently enacted in France to replace the national guarantee and to lower the retirement age from the present 65 to 60 will become effective in 1983. Eligible workers will then be able to receive the same publicly-funded pension (50 percent of former income) at age 60 that they now receive at age 65. The change will remove any incentive for many to continue working past age 60 as a way to accrue additional social security benefits. The legislation will also make most of the phased retirement programs offered by French firms obsolete, since most start at age 60 or later. In fact, Gillette France–a pioneer program in phased retirement–has already cancelled its program.

Unemployment rates in Great Britain and Belgium have led the governments in these countries to offer generous early-out stipends to older workers in the years preceding their eligibility for full social security benefits under one condition. To qualify for the British Job-Release Scheme or the Belgian pre-pension benefit, workers who retire voluntarily must be replaced (not necessarily in the same job) by younger unemployed workers. But the impact is comparable to that found in France: many Belgian and British workers are choosing to retire early, leaving relatively few older workers eligible for company phased retirement programs.

In contrast to the situation in France, Great Britain, and Belgium, increased participation rates in Sweden's national phased retirement program have forced rather than followed governmental action. The unexpected popularity of the partial pension plan has resulted in higher than anticipated costs, prompting two major legislated program changes. First, the employer payroll contribution rate used to finance the scheme was increased from 0.25 to 0.50 percent in legislation effective in 1980. Second, beginning in 1981, the replacement level for earnings lost by older employees due to fewer work hours was reduced from 65 to 50 percent, and energy costs and indirect taxes were excluded from the consumer price index used to adjust the partial pension benefit periodically. With increased payroll-tax revenues to fund the partial pension scheme and decreased benefit levels, the Swedes hope to keep the phased retirement program solvent.

Certainly, governmental control over social security benefit provisions can influence directly or indirectly private-sector phased retirement programs, their participation levels and ultimately, their costs. The use of government policy to encourage *early* retirement can conceivably be adjusted to encourage *later* retirement as well which would also affect private-sector phased retirement plans, participation rates, and costs. The key variable in the utilization of phasing options appears to be their financial attractiveness to workers as compared to other options, namely continued full-time employment or state-supported early retirement.

In summary, the European case studies which follow provide evidence that phased retirement options offer substantial benefits to employees and employers at relatively low costs, even though exact figures for either have yet to be determined. Managers, employees, corporate officials, and labor union representatives interviewed by NCAWP express general unanimity in their support of the phased retirement programs currently in place in Europe. Problems in implementation and administration, if they exist at all, appear to be relatively minor for employers; and costs to the companies remain manageable for now due primarily to low participation rates. The benefits of phased retirement for employees, while not easily measurable, appear nonetheless to be highly positive.

## PROSPECTS FOR AMERICAN APPLICATION

Certainly the experiences of European business, industry, management, labor, unions, and government regarding phased retirement policy and practice cannot be wholly transplanted onto the American scene anymore than they can be replicated exactly between European neighbors. Yet the issues which U.S. employers must consider when determining the feasibility of transition retirement programs are strikingly similar to those faced by their counterparts across the Atlantic—economic and social costs to the firm, production demands and productivity impact, administrative and managerial hurdles, workforce utilization and morale, and future personnel needs.

Western European personnel executives surveyed by the International Management Association regarding which problems they judge to be major obstacles in introducing alternative work patterns, including phased retirement, offer some implicit guidance to American colleagues. The responses of the 896 managers returning questionnaires were reported in a 1981 Association journal as follows:

- Insufficient thought given to hidden extra costs (31.8%)
- Inadequate commitment by top management (31%)
- Insufficient thought given to solving production problems (30%)
- Union opposition (29.8%)
- Insufficient thought given to human problems and reactions (28.3%)
- Resistance by lower and middle management (28.1%)
- Lack of briefing and/or training to show employees how to take advantage of the greater flexibility (27%)
- Lack of support from the workforce (18%).

The obvious importance of planning cannot be minimized when introducing phased retirement to an organization. Like the IMA survey respondents, in varying degrees, executives in every European firm visited by NCAWP stress the value of working with managers and union representatives for harmonious implementation of phasing plans, of informing employees of the flexibility and benefits available to them under the gradual retirement schemes, and of securing the full support and commitment of senior corporate personnel to the programs.

In assessing the changes that American business and industry must make in meeting the personnel and organization demands of the future, a number of researchers (Cook, 1980; Lyons, 1981; Morrison, 1979; Pursell, 1981; Rosenblum & Sheppard, 1977; Sonnenfeld, 1978) suggest that major overhauls may be needed in corporate policies and practices affecting middle-aged and older workers. Among the requisite changes:

- Implementation of working-time options such as job-sharing, flexitime, part-time, and rehired annuitant programs that provide older employees with economically viable alternatives to early, full retirement;
- Review of personnel policies and practices to eliminate elements that might discriminate against older employees in recruitment, promotion, and training;
- Development of training programs designed to alleviate occupational stagnation, professional burn-out, and technological obsolescence among older workers;
- Restructuring of employee benefits programs (pension and insurance plans, for example) to meet the needs of

older workers—needs which may differ greatly from those of younger workers;
- Development of employee counseling programs to ascertain the preferences of older workers for schedule and job modifications in order to fit more effectively the needs and desires of the employee with those of the organization;
- Review of age profiles within job categories to determine if alternative career paths and training programs are needed to enable workers and organizations to meet future personnel demands; and
- Review of the incentive structures (compensation, benefits, work schedules, performance appraisals) to insure that quality employees are not lost needlessly to early retirement while unproductive workers are retained.

With such policy examination and the implementation of programs that realistically address the needs of older workers, companies may well find it possible to stem the costly loss of skilled and experienced labor due to arbitrary, inflexible retirement practices.

Those American companies that have implemented phased retirement programs report positive results, though their evaluations, like those of their European colleagues, are typically more anecdotal than empirical. Case studies of alternatives to sudden, full retirement—part-time work, education and service leaves, phased retirement, extended leaves, rehired annuitant plans, trial retirement, and others—in place in the United States indicate that workers and organizations find the programs useful and in some cases, cost-effective (Jacobson, 1980; McCarthy and Rosenberg, 1981). More research and demonstration are essential, however, if the costs and impact of differential forms of phased retirement are to be measured accurately.

From a national policy perspective, growing pressures to eliminate the earnings limitation under Social Security and recent regulatory changes enabling individuals to work more hours per month without loss in private pension benefits are clear signs that the employment rather than the retirement of older persons may assume new significance in the decades ahead. With mounting concerns regarding the solvency of Social Security, the erosion of retirement incomes for many older citizens, and the declining productivity levels in many industries, programs and policies that allow senior workers to remain in the labor force to the extent they want and need to do so certainly deserve public- and private-sector attention.

Finally, the demographics of our graying America and labor demands for flexibility across the work-life cycle argue forcefully for corporate awakening to the potential of phased retirement as a personnel policy. Dr. James Walker, Vice President for Towers, Perrin, Forster and Crosby, in remarks presented at a Travelers Insurance Companies conference (1982), addressed the issue positively but pragmatically in this way:

> *When we consider gradual retirement, or part-time employment for retired workers, or fulltime post-retirement employment, we need to consider other related issues . . . But the point is that you have an opportunity to make policy. You can develop policies today and think them through in a philosophic way. You can implement such policies today and not create havoc-because the numbers of people involved now are rather small so far. But if you wait 20 years, it will be too late. Your competitors will already have their policies; some other idea may be mandated by law-and any mistake will have a major effect because the numbers of people involved will be large. So today-while people are still retiring early-is the right time to address these questions (pp. 15-16).*

With Walker's challenging remarks as a springboard, University of Michigan psychologist Dr. Robert Kahn noted at the same conference that every corporation must decide the parameters of company retirement flexibility based on individual company technology, competition, and market. And while, according to Kahn, there are numerous ways to implement flexible retirement policies, "Commitment to that principle is the first step; we can then explore, through experience and research what the most appropriate forms are for particular organizations" (p. 19).

The experience and commitment of European firms in providing phased retirement opportunities for their employees are reflected in the case studies which follow. In sharing their stories, we hope attention and action toward worklife flexibility can occur in the United States.

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# SELECTED EUROPEAN PHASED RETIREMENT PROGRAMS: MASTER REFERENCE GUIDE

# MASTER REFERENCE GUIDE
## SELECTED EUROPEAN PHASED RETIREMENT PROGRAMS

| | | | | | | Eligibility | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Company/ Location | Type of Industry | Number of Employees | Unionized | Annual Sales 1981 (in U.S. Dollars) | Phased Retirement Program Description | Age | Years Service | Job Level | Percent of Workforce Eligible (1981 data unless noted) | Percent of Eligibles Participating (1981 data unless noted) |
| **BELGIUM** | | | | | | | | | | |
| NV Bekaert SA/ Zwevegem | Manuf. Wire & Wire Products | 7,898 | Yes | $432.5 million | Voluntary 5-year plan of pre-retirement leave (½ day every other week) with pay to attend on-site activities and seminars with spouse. | Men<br>60<br>(57, if pre-retire)<br>Women<br>55 | None | All Levels | 5.0 | 90.0<br>(retire at pensionable age)<br>70.0<br>(early retirement) |
| **FEDERAL REPUBLIC OF GERMANY** | | | | | | | | | | |
| Deutsche BP/Hamburg | Petroleum | 4,403 | Yes | NA | Voluntary 1-year plan of gradual workhour reductions (by 2 hours in 6-12 months, by 4 hours in 0-6 months) before retirement with no loss in compensation. Program implemented by employer in 1979. | 55 | None | All Levels | 1.0 | 98.0<br>(June 1980–June 1981) |
| Pieroth/Burg Layen & Langenlonsheim | Winery | 600 | Yes | NA | Voluntary program of workhour reductions:<br>5-hour reduction with 2½-hours paid per week<br>or<br>10-hour reduction with 5-hours paid per week.<br>Program implemented by employer in 1979. | Men<br>60<br>Women<br>55 | 10 | Fixed-hour Employees (excludes top managers and sales personnel) | NA | 18.0<br>(since plan began) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Reemtsma/ Hamburg | Manuf. Cigarettes* | 3,667 | Yes | $1.48 billion | Voluntary 2-year plan providing 2 options for the 24 months prior to eligibility for national social security benefits:<br>(A) Workweek reduction to 20 hours with no loss in pay, or<br>(B) Termination of employment with 75% reduction in gross pay.<br>Program implemented through collective bargaining with union across cigarette industry in 1978 for healthy males and extended to all workers in 1981. | Healthy Men 61<br>Women & Disabled Men 58 | 15 | Non-managerial Employees | 4.0 | 83.3* (both options)<br>43.7 (option A)<br>39.6 (option B) |
| **FRANCE** | | | | | | | | | | |
| G.A.M.F./ Chartres and Paris | Insurance | 1,445 | Yes | $230 million | Voluntary 5-year plan of workweek reductions (5-to-3½ days) with no loss in compensation. Program implemented by employer in 1972. | 60 | 15 | All Levels (excluding field agents) | 6.6 | 65.5 |
| Groupe Maison Familiale/ Cambrai | Home Construction | 2,678 | Yes | $667 million | Voluntary 5-year plan providing 4-12 hour reductions in the workweek spread incrementally from age 60 to 65. Full salary levels are maintained. Women participants receive an additional 2 hours off per week during these years. Program implemented by collective bargaining in 1974. | 60-65 | 15 | All Levels | 1.5 | 0.0 |

*Reemtsma data are provided as of December 31, 1981, and include women and disabled men participating in the program.

## Master Reference Guide *(continued)*

| Company/ Location | Type of Industry | Number of Employees | Unionized | Annual Sales 1981 (in U.S. Dollars) | Phased Retirement Program Description | Eligibility | | | Percent of Workforce Eligible | Percent of Eligibles Participating |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Age | Years Service | Job Level | (1981 data unless noted) | |
| **FRANCE** *(Continued)* | | | | | | | | | | |
| Laboratoires Boiron/Lyon | Manuf. Pharmaceuticals | 850 | Yes | $ 25 million | Voluntary 5-year plan of incremental worktime reductions (10% annually up to 50%) with no loss in compensation. Program implemented by employer in 1977. | 60 | 5 | More than 20 hours worked per week | 1.6 | 62.5 |
| Laboratoires Delalande/ Paris | Manuf. Pharmaceuticals | 550 | Yes | $ 59 million | Voluntary 3-year plan providing 10, 20, & 30 extra days of paid leave in the 62nd, 63rd, and 64th years. Program implemented by employer in 1972. | 62-65 | None | All Levels | 0.5 | 0.0 |
| | | | | | Voluntary program of extra paid leave (1-8 days) for all workers aged 55-62. Program implemented by employer in 1978. | 55-62 | None | All Levels | 10.5 | 100.0 |
| U.T.A./ Puteaux | Airlines | 7,123 | Yes | $ 1 billion | Voluntary 5-year plan of incremental reductions in working time from 40 to 20 hours per week. Compensation levels are reduced 10-20%, depending on grade level and year in program. Plan implemented by employer and union in 1978. | 60-65 | 10 | Ground Personnel | 0.7 | NA |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **SWEDEN** | | | | | | | | | | |
| Huddinge University Hospital/ Huddinge | Public Hospital | 6,000 | Yes | $62.6 million (1980) | National Plan in which older employees may reduce their working time by a minimum of 5 hours per week, but not below 17 hours per week on the average. Company or organization continues to pay wages/salaries for hours worked, and a partial pension reimburses workers for 50% of the loss in gross earnings due to the change to part-time employment. Partial pension is financed by a 0.5% payroll tax. The Swedish "Partial Pension Scheme" took effect on July 1, 1976. | 60-65 | 10 years of work after age 45 and gainful employment for at least 5 of the past 12 months | All Levels | 2.5 | 3.3 |
| L.M. Ericsson/ Stockholm | Manuf. Telephone and Electronic Equipment | 19,846 | Yes | NA | | | | | 6.8 (white-collar)<br>7.0 (blue-collar) | 48.0 (white-collar)<br>55.0 (blue-collar) |
| Volvo/ Göteborg | Manuf. Autos | 8,000 (Torslanda plant) | Yes | $ 8.5 billion | | | | | 3.5 | 42.0 |
| **UNITED KINGDOM** | | | | | | | | | | |
| BBA Group PLC/West Yorkshire | Manuf. Friction Materials | 2,920 | Yes | $231.8 million | Voluntary 1-year plan of reduced workweeks:<br>1 day off per week in first 6 months of final work year, and<br>2 days off per week in last 6 months of year.<br>Compensation maintained at full levels. | Men 64<br>Women 59 | None | All Levels | NA | 98 |
| Carborundum/ Manchester | Manuf. Abrasives | 1,014 | Yes | $24 million | Mandatory 2-year plan of shortened workweeks (4 days) with no loss in compensation. Program implemented by employer in 1965. | Men 63<br>Women (not eligible)* | None | All Levels | 1.8 | 92.0 |

*In the U.K., women can retire at age 60 under social security. The Carborundum program starts at age 63.

## Master Reference Guide *(continued)*

| Company/ Location | Type of Industry | Number of Employees | Unionized | Annual Sales 1981 (in U.S. Dollars) | Phased Retirement Program Description | Eligibility | | | Percent of Workforce Eligible | Percent of Eligibles Participating |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Age | Years Service | Job Level | (1981 data unless noted) | |
| **UNITED KINGDOM** *(Continued)* | | | | | | | | | | |
| English Abrasives/ London and Manchester | Manuf. Abrasives | 464 | Yes | $20 million | Voluntary 1-year plan of gradual workweek reductions (5-to-3 days) with no loss in compensation. Program implemented by employer in 1979. | Men 64<br>Women 59 | 10 years | All Levels | 1.3 | 100.0 |
| Joseph Newsome/ West Yorkshire | Manuf. Textiles | 211 | Yes | $ 6 million | Mandatory 2-year plan combining extended leaves and gradual workweek reductions (5-to-3 days) with no loss in compensation. Program implemented by employer in 1964. | Men 63<br>Women 58 | None | Managers Only | 15.0 | 100.0 |
| | | | | | Mandatory 1-year plan reducing work time from full-time to half-time with no loss in compensation. Program implemented by employer in 1975. | Men 64<br>Women 59 | None | Shop Foremen Only | 12.0 | 100.0 |
| Kalamazoo PLC/ Birmingham | Manuf. & Service Office Systems & Small Business | 2,000 | Yes | $ 60 million | Voluntary 6-month phased retirement plan of reduced workweeks:<br>4-day week during 6 months prior to retirement,<br>3-day week during final 3 months prior to retirement.<br>Full compensation and benefits maintained. | Men 64<br>Women 59 | None | All Levels | NA | 100.0 |

# SELECTED EUROPEAN PHASED RETIREMENT PROGRAMS: COUNTRY PROFILES AND COMPANY CASE STUDIES

# UNITED KINGDOM

The current economic problems confronting the UK are serious, deep-seated, and complex, demanding the full attention of British labor, management, and government. Any discussion of transition retirement programs must take place against the backdrop of these broader policy concerns—an awareness reflected in every interview held by the project research team in Great Britain. From shop foremen to union chiefs to personnel directors, the benchmarks against which these involved parties evaluate phased retirement are its effectiveness in stemming unemployment and its cost-benefit ratio for participants and employers in a time of severe recession, stagnant productivity, and declining ability to compete in the world market.

It is beyond the scope of this report, however, to analyze either the current economic difficulties facing the UK or the efforts of the various institutions to resolve those problems. Instead, the following discussion profiles the response of British employers, trade unions, the government, and workers to the concept and in some cases the adoption of phased retirement.

## EMPLOYERS PERSPECTIVE

Companies in growing numbers across the UK are using retirement provisions—particularly early-out options—as a mechanism for cutting their workforces. Employees who agree to leave the labor force prior to the current statutory pension retirement age (65 for men, 60 for women) can often expect generous severence pay and lump-sum company pension payments. As a result, the choice to retire early is becoming an increasingly attractive one for British workers. So much so that researcher Dr. Cary L. Cooper, who currently is directing a major study of British retirement policies, observed in the June 1980 issue of *AMA International Forum*, "Lower retirement ages have become a bargaining point in both publicly owned and private companies in the United Kingdom" (p. 29).

Retirement policies are seen by employers as one way to alleviate the current unemployment situation which has left one in eight Britains out of work. The Confederation of British Industry (CBI), the nation's largest organization of employers, assessed the country's economic problems in a March 1981 document titled, "The Will to Win," and in it, proposed a six-point program for reducing unemployment. One plank advocated the establishment of a uniform statutory retirement age at 63 for receipt of a full state pension and the introduction of retirement provisions that would allow all workers to retire from ages 58 to 63, presumably with some prorated benefit adjustments if taken early or deferred (pp. 59-60). Similar recommendations regarding occupational (or company) pensions are proposed elsewhere in the document (p. 36).

In calling for such retirement flexibility, the CBI warned that any such changes must be preceded by careful study of the costs and benefits socially, economically, and in the labor market. In a similar vein, CBI officials meeting with the project research team stressed that the business community in Great Britain is reluctant to endorse any major policy changes that cannot be easily reversed should the current labor surplus become a labor shortage.

The CBI has no official position on phased retirement programs allowing a gradual reduction in working time prior to exit from the labor force, but Confederation policy analysts see no reason why such retirement schemes should not be implemented. As in the case of other retirement issues, however, they note that British employers must be convinced that the costs of such programs are worth the benefits.

In the last decade or so, a number of British firms have indeed assessed the value of phased retirement programs and have introduced ways to reduce work pressure or working time for older employees approaching retirement. The May 1980 issue of *European Industrial Relations Review* cited a 1978 study of employee benefits by the British Institute of Management which found that "12 percent of companies surveyed allowed the option of phased retirement with the facility being more common in small rather than large companies" (p. 18). An article one month later in the *Industrial Relations Review* summarized the transition retirement programs in 20 British companies, noting that existing schemes vary considerably in their origination, eligibility requirements, and phasing provisions. According to the latter report, long-standing programs appear to have been instituted by management while more recent programs are often the result of trade union negotiations. Both articles note that phasing is most commonly achieved by cutting a day or days from the workweek although plans offering shorter working days and extra holidays also exist. Nine of the 20 arrangements surveyed in the *Industrial Relations Review* begin the phasing process six months before retirement, but several start as much as 2 years and some as little as 3 months prior to full retirement. While some programs are compulsory, most are voluntary; few have service or grade eligibility requirements; and participants normally continue to receive full wages and benefits despite their reduced hours.

Costs to the employer, according to the *Industrial Relations Review*, are difficult to assess accurately but "in any event, it is generally felt that the expense is not very great, particularly in view of the considerable benefit that employers and unions believe can be derived from the schemes" (p. 10). The authors of the *European Industrial Relations Review* article arrive at a similar conclusion noting that "there are costs involved and organizational difficulties can arise" but that "the experience of companies operating such systems across a wide range of industries indicates that the problems are not insuperable" (p. 19).

## LABOR PERSPECTIVE

Labor unions in the UK are also becoming increasingly interested in retirement policies, including phased retirement options, that not only benefit older workers but have the potential of creating more job opportunities for unemployed workers. Several national trade unions, in negotiations with individual firms, have successfully established transition retirement benefits for their members. Most recently, delegates to the 1981 Annual Meeting of the 450,000-member Union of Shop, Distributive, and Allied Workers (USDAW) voted to urge the umbrella organization for British labor—the Trades Union Congress (TUC)—to press for policies "progressively shortening the workweek for all employees approaching retirement age, without loss in pay" (p. 6).

Representatives from several British trade unions (including USDAW) admitted, however, in interviews with the project research team that labor's interest in phased retirement is secondary to its push for a 35-hour workweek with no earnings loss for all employees and the lowering of the state pension age for men from 65 to 60, which would result in a common retirement age for men and women with full state pension rights from age 60. Labor groups contend that these overriding goals–shorter workweeks and a common retirement age beginning at age 60–would open up needed jobs for the younger unemployed in Britain. And, noted one union official, unless phased retirement programs are shown to be effective in promoting either of these primary labor objectives, they are unlikely to be a major factor in the current economic debate or in negotiations with management.

USDAW education officer Peter Rosenfeld and research analyst Jerry Waddington provided the project research team with the USDAW's written guidelines to union locals negotiating phased retirement schemes. The background policy papers offer some perspective on the union position on such programs.

In negotiating for a transition retirement option, USDAW local officials are urged to seek programs that shorten the workweek, not the workday, in order that participants may have adequate time to take up other interests prior to retirement. Overtime should be prohibited to participants as contrary to the intent of the program; and if extra holidays constitute the phasing program, the union suggests they be awarded in the winter months when retirement is "harshest." Most importantly, according to the guidelines, phased retirement programs should not result in loss of earnings, pension benefits, or any local or national wage improvements for workers reducing their hours in the final months and years prior to retirement. Loss in earnings late in a worker's career can result in reduced pension benefits under some company plans. To prevent such losses, union locals are advised to negotiate for full wages throughout the phasing period or for adjustments in the pension rules to allow program participants to contribute to their pension accounts as though their wages were not reduced.

In preparing local unions for negotiations on phased retirement, the national office of the USDAW advises that employers typically resist implementation of phased retirement programs for three basic reasons: the schemes will cost too much, unnecessarily disrupt work routines, and make coverage impossible due to the short-term absences of phasing workers. To refute these claims, USDAW urges union locals to insist that transition retirement programs cost companies little financially but gain them much in improved staff attitude which can result in improved productivity. Moreover, USDAW analysts argue that rather than disrupting routines, phased retirement can help maintain work continuity when used as a training mechanism for incoming successors. And finally, the policy paper suggests that while coverage is more difficult to maintain during worker absences, those short-term leaves caused by phased retirement can be scheduled in advance allowing the company ample time to adjust staffing levels with a minimum of inconvenience.

USDAW spokespersons as well as representatives from the Transport and General Workers Union and the Associated Society for Locomotive Engineers and Firemen are admittedly skeptical that much union involvement in negotiating phased retirement will take place in the current economic state. In any consideration of such transition programs, the unions in Britain must balance the needs of older employees for financial stability in their post-work years with those of younger employees for jobs. It is not a simple issue.

## GOVERNMENT PERSPECTIVE

The implementation of phased retirement programs is primarily a matter of labor-management negotiations in the UK. Union proposals to reduce the minimum pension age for men from 65 to 60 and the CBI recommendation to set 63 as the uniform state pension age for both men and women would of course require national legislation, as would any provisions allowing for additional retirement flexibility vis-à-vis the state pension. (Currently, workers can defer receipt of their basic pensions from 65 to 70 for men and from 60 to 65 for women with resulting higher benefits depending on the length of postponement.) But while proponents of pension changes believe that such modifications would encourage and permit more workers to retire earlier, thus opening up jobs for the unemployed, Britain's Department of Employment is cautious about major alterations. According to DE spokeperson James Jolly, such changes would be extremely costly to the government in pension outlays, especially coming on the heels of major system revisions instituted in 1975. Noted Jolly in interviews with the research team, "Government has its own special employment measures to counter unemployment that, unlike a change in the pensionable age, can be easily reversed should the labor situation change."

In assessing the prospects for government incentives to companies or individuals to promote phased retirement, Jolly observed that any program receiving government support would desirably need to show a direct link between the early or phased exit of the retiring worker and the recruitment of an unemployed person. The current government-sponsored Job Release Scheme mandates such replacements. The Scheme pays special allowances to eligible men aged 62 and older and women aged 59 and above who agree to retire early if their employer hires an unemployed person to fill the vacancy left by them either directly or indirectly (e.g., after promotions and job transfers to fill the position). Unless such a replacement provision were incorporated into any government payment for phased retirement, Jolly expressed fears that as far as unemployment is concerned, the impact of the phasing program could be much reduced, especially in a time when many British employers are seeking to reduce their workforces.

In the final analysis, the government is unlikely to institute any national social policies that may require vast expenditures of funds unless such programs are demonstrably effective in reducing unemployment. That link, at least for the government in the UK, has not yet been built for phased retirement.

## WORKERS PERSPECTIVE

Under the state pension scheme in Great Britain, men can begin drawing benefits at 65, and women at 60. For five years beyond these respective ages, pensioners may work part-time; but if their earnings exceed a certain limit, their pensions are reduced on a sliding scale corresponding to the extent of their earnings. If earnings are high enough, their basic pensions can be extinguished. After age 70 and 65 respectively, there is no "earnings limit."

In a major study conducted in 1977 under the auspices of the Departments of Employment and of Health and Social Security, 3,500 workers either approaching, at, or just beyond the state pension age were surveyed regarding their decisions to leave the labor force (and at what age) or to remain working. The research also measured the views of these older workers regarding pension ages, the earnings limit rule, problems in preparing for and adjusting to retirement, and the employment opportunities available to workers approaching or above pension age.

Respondents were also asked their preference for complete retirement at a certain age or for gradual retirement by working progressively fewer hours or days to eventually none at all. Among those still working, a two-to-one majority indicated a desire "to taper off their working hours or days." Opinions were more evenly split among the retired sample with just over half expressing a preference for phased retirement. Those who had moved from full-time work to full retirement through working part-time for awhile were more likely to favor gradual retirement than those who had left full-time jobs to become full-time pensioners. Only 11 percent of the retired sample had actually phased into retirement; but no data were reported regarding whether these respondents utilized specific company programs to reduce their working time or retired from one full-time job to take another part-time one prior to full retirement (pp. 11-12). As the report concluded, "There was considerable support in principle for gradual retirement," though in reality only a minority (and more women than men) were actually able to practice it (p. 6).

The following case studies present information about the development, implementation, costs, and benefits of three UK company transition retirement programs–Carborundum, English Abrasives, and Joseph Newsome. Though their specific provisions vary, all were initiated by the firms involved as a means of helping their older employees enter retirement in a healthy, productive way. Following the formal case studies are shorter profiles of two phased retirement programs offered by the British firms of BBA Group PLC and Kalamazoo PLC.

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# CARBORUNDUM LIMITED

*"The program of phased retirement is very, very simple. There is always a question which managers should be asking– the '47 bus' question. If you tell me that you can never do without this man, how can you be sure that one day when he leaves the gate, he's not knocked down by the '47 bus?' One of the most important purposes of this plan is that it's a two-fold thing–the company has to learn to live without the individual and the man has to learn to live without work."*

*"The program has forced those managers who weren't good planners to become them; because for one day a week, Joe isn't there."*

*"Don't go into a phased retirement program unless you believe in it. One reason why we don't have many difficulties is because so many of us believe in it. Nobody is fighting it. Growing into retirement is a fact of life that we live with."*

*Moss Kennedy,*
*Harry McGain, and*
*Grover Blake*
*Plant Personnel Managers*
*Carborundum Company Ltd.*
*Manchester, Great Britain*

## PROFILE

Carborundum Limited, manufacturer of artificial abrasives and industrial grinding wheels, is centered in Manchester, England. All but ten of the firm's 1,014 workers are employed full-time, and more than half are classified as production and transport laborers. The company directors pride themselves on the progressive and innovative nature of their personnel policies, and the employees speak of Carborundum as a "family" despite its size.

Since its introduction in 1965, the "pre-retirement preparation program" at Carborundum has been a "zealously-guarded aspect of the terms and conditions of employment" for workers and managers alike. Conceived by top executive

George McKenzie (then Managing Director), the phased retirement scheme requires all male employees to move to a shortened workweek upon reaching age 63, though full compensation and benefits are continued until full retirement. Women in Great Britain can retire at age 60 under Social Security and are thus ineligible for the Carborundum program.

The phased retirement program is a dual-purpose policy: "to encourage and assist employees nearing retirement to develop a way of life independent of the work situation," and "to ensure that management and supervision recognize in good time that they will shortly lose the services of the employee and that proper provision is made for continued effective operation." Both the company and its employees, according to management and labor representatives, benefit from the scheme.

Carborundum's involvement in a phased retirement program stems from a corporate sense of responsibility for workers who have devoted their entire careers to the company. When asked about employee retention rates, one manager replied, "If we have someone for five years, we have him for life." Employee representatives boast of their highly active service club open to workers with a minimum of 20 years' service. That category includes more than 300 of the 1,014 current employees at the Manchester plant. Workers retain their identity with the company even in retirement–an Association of Retired Carborundum Employees meets regularly for lunch at the plant and sponsors numerous and varied activities and trips for its members.

## PROGRAM DESIGN AND PROVISIONS

To fulfill the program objectives of preparing both worker and firm for the employee's eventual departure from the plant, all personnel must move to 4-day workweeks for the two years preceding their mandatory retirement at age 65. Program provisions apply to male employees only. Women retire at age 60 in the U.K.

To provide participants with sufficiently long periods of unstructured time prior to their complete separation from work and to avoid undue disruption in the workweek for the firm or the worker, Carborundum offers two options under the plan: not to report for work every Friday or not to report on the Friday and Monday of alternate weekends. Whatever the choice, the employee must declare it at least four weeks prior to the start of the preparation period and adhere to it for the entire two years.

This advance scheduling of absences due to pre-retirement leave enables supervisors and shop foremen to rearrange workloads and personnel systematically, thus minimizing disruptions in production. Should circumstances make it impossible for an employee to begin the retirement preparation when eligible (e.g., difficulty in finding a replacement), a postponement up to six months may be granted subject to the approval of the Senior Operational Manager of the Division or Branch and the Personnel Director. During the postponement period, the retirement leave accrues to the employee to be taken in a lump sum immediately prior to retirement.

If jobs of participating workers are unsuitable for or difficult to adapt to a 4-day week, management may reassign the employee to a new position. Plant personnel managers interviewed for this study recall only four cases–all involving continuous shift workers–in which job modifications due to the retirement scheme have been substantial. In the first instance, the participating employee was transferred from his 56-hour per week shift job to a 39-hour per week day slot with a corresponding loss in premium pay.

To prevent any economic hardship for future participants in the retirement program, the union proposed regulations granting Carborundum the right to transfer employees to other jobs if necessary, but only if participants' salaries and wage levels remained the same. The company agreed and the provisions are now standard program policy.

Full wages and salaries are paid as though participants were still working the standard 5-day week, and they are adjusted for any cost-of-living or general raises granted employees. Employees in retirement preparation are counted as full-time personnel, and their seniority level remains unchanged. While there are no restrictions on outside employment during the transition to full retirement, such situations are uncommon and defeat the purpose of the company program, according to Carborundum executives.

All company pension contributions and pension benefits are computed on the basis of a standard, 5-day workweek. Therefore, even though program participants work fewer hours, their pensions are not affected.

Since 1976, the firm's pension provisions have encouraged early retirement (before age 63) for many Carborundum employees as a means of trimming the workforce. Early retirement thus pre-empts employees from choosing phased retirement (age 63-65). To allow further reductions in the labor force using voluntary measures, workers may withdraw from the phased program to enter into any redundancy schemes, granting them immediate retirement with some severance pay. No data are available on the number of employees who have made such a shift from the shortened workweek program to a redundancy plan or who have retired early and skipped the phasing process altogether.

When holidays fall on the Monday or Friday of an employee's pre-retirement leave, the participant cannot save and take them later; however, when holidays fall elsewhere in the week, participants can take both the retirement leave and the holiday leave. Participants are permitted to work a maximum of four hours overtime per week, but only on days they are normally scheduled to work. Participation in the phased retirement plan does not affect one's sick leave, vacation, or personal leave.

## COSTS AND BENEFITS

Carborundum executives expressed positive views regarding program costs and benefits to the company. The phasing scheme is seen as a "low cost-high value" effort which has "done much to preserve the good employee relations climate by rewarding and respecting long service." According to Personnel Director H.C.J. Stewart, the exact costs for such a program have purposely not been calculated. Stewart notes, "If we cost it out, then in any subsequent budget cutting process, we invite its elimination or at least its alteration. We think the program is too valuable to risk that happening."

Perhaps the most constructive gain for Carborundum is the program's impact on corporate planning. The phased retirement schedule forces Carborundum managers to plan ahead for the daily and eventually permanent absences of experienced, seasoned employees. When scheduling complications arise, managers resolve them on a departmental basis in consultation with representatives from affected trade unions. If necessary, younger employees are cross-trained to fill short-term and long-term vacancies created by retiring program participants; and if participants themselves are forced to change jobs to accommodate a shorter workweek, they also are afforded training opportunities. The transition retirement program has become "an accepted aspect of employment" for all workers; and according to plant personnel chiefs, it creates neither morale problems nor intergenerational conflict within the labor force.

Reallocation of work assignments and responsibility among remaining managers or rank-and-file is handled informally during the absences of program enrollees. There is no fixed policy governing the reorganization of tasks and accountability, but gradually work "drifts to others" and is "absorbed." Only the Engineering Department follows a formal policy of linking employees nearing retirement age with apprentices in training; and it does so because such practices represent standard, acceptable training methods for the field, quite apart from any company retirement preparation policy.

Because workers maintain full compensation and benefit levels, the costs of the scheme for participants are virtually nonexistent (except for the weekly 4-hour limit on overtime). Labor representatives to the firm's Joint Pensions Committee, Bob Bentham, and Retired Employees Committee, Grace Crane, voiced their enthusiasm for the Carborundum program provisions in interviews with the study team, particularly because participants do not suffer economically and do retain their social status within the company. Enrollees also benefit considerably from the increased leisure time granted them under the scheme.

With nearly 41 percent of its labor force between the ages of 46 and 60, Carborundum is keenly aware of its employees' needs for adequate retirement preparation. The company's Welfare and Services Division in conjunction with the University of Keele has developed a series of lectures and discussion sessions dealing with changes in middle age and long-term retirement preparation (including advice on finance, health, and leisure opportunities). All employees over 50 are invited to participate in the sessions which are held during working hours and at no loss of pay to those attending. According to G.V. Hurst, Welfare Services Manager, "The response to the program has been very good. Shop stewards have been fully informed about it, and thus far things have been very well received."

## FUTURE

In evaluating the success of the pre-retirement preparation program, company personnel directors and labor representatives agree that its objectives have been realized, and both groups support its continuation barring serious economic decline in the firm's market. Any modifications in the program's eligibility age will parallel any changes in the social security or national pension entitlement ages or the mandatory retirement age. If plant personnel officers were to alter the pre-retirement policy at all, they indicate that they would like to see employees receive even more release time over a longer period preceding full retirement.

Carborundum executives note that "economic conditions in the last decade have reduced the volume of output substantially," but that "the Company is aggressively managed to control costs, adjust labour requirements and compete effectively in a difficult market." While they perceive the economic future of the corporation to be "sound" and while situational factors "preclude front-loaded experimentation in development of the employee benefits package, careful management has ensured continued preservation and reasonable development of employee benefits throughout a difficult decade of economic adjustment."

With the onset of retirement for many of Carborundum's post-World War II employees, personnel managers indicate that the firm will need to resume hiring of younger workers–which it is not doing now due to economic conditions–and to insure adequate training programs for them. The phased retirement program may help secure the success of this training transition, although it currently is not used in this way.

Employees and retirees of Carborundum acknowledge that the phased retirement policy was implemented during a time of "autocratic benevolence" on the part of the company in a non-union factory. However, the subsequent organization of over 80 percent of the Carborundum work-force in Manchester and the increasing role of the unions in corporate decision-making have altered neither the provisions nor the value of the pre-retirement program. Labour and management share an interest in the problems and potential available to those "coming to the end of the working life."

**Program Contact:**

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(as of 1982)

# ENGLISH ABRASIVES

*"To be honest, we didn't cost [the phased retirement program] down to the last few pounds sterling. We simply took a broad brush and decided the cost would be minimal and therefore we dismissed the thought of costs from our minds almost entirely. . . . The firm considered the idea to be very worthwhile, and there was hardly a sign of any opposing view."*

*Syd Davis*
*Personnel Director*
*English Abrasives Limited*
*London, England*

## PROFILE

English Abrasives celebrated its 150th birthday in 1980; and despite its small size and the recent economic problems within its industry and country, the company anticipates at least another century and a half of operation. The firm's manufacturing operations are divided between two industrial sites—technical products in London and consumer products in Manchester. Together the plants supply approximately 20 percent of the U.K. market and a smaller but growing fraction of the world demand for coated abrasives.

The company's total labor force of 464 employees consists primarily of two disparate groups. The younger workers (ages 20-30) have tended to be transient and responsible for past high turnover rates at English Abrasives. More recently, due to the economic climate, turnover rates have fallen dramatically in all groups. The balance of the firm's workforce is older with longer service; and indeed, many employees devote their entire careers to the company.

Concern for these long-term employees and their welfare as they move from a lifetime of work at English Abrasives to full retirement recently prompted the company to institute a phased retirement policy. Eligible employees may elect to shorten their workweek gradually from 5 to 3 days during their final year of service with no loss in pay or benefits and may also take paid leave for courses in pre-retirement planning. This report focuses on the reduced workweek program.

## PROGRAM DEVELOPMENT AND IMPLEMENTATION

In the late 1970's, the English Abrasives' site director in Manchester read with interest some material on plans offered by various British companies to allow workers to ease into retirement gradually. A number of his own employees were approaching the end of their careers, and he thought such a phasing scheme might benefit them. The director proposed the concept at a regular Company Board meeting in London, and the enthusiastic response of his colleagues resulted in the development and implementation of the formal "Preparation for Retirement" program in November 1979. Since then, employees at English Abrasives have had the option of reducing their workweeks from 5 days to 3 days while still receiving full compensation and benefits during the final 12 months before retirement at age 65 for men and 60 for women.

According to Syd Davis, Personnel Director and a participant in the Board's deliberations on phased retirement, the overwhelming consensus of the group was to support such a plan. The Directors examined the impact of short-term absences on small departments which might be less equipped to handle them than larger units. The group also discussed how a phased policy could most constructively be designed to prepare life-long employees for the shift from full-time work to full-time leisure. And though financial costs for such a program were not ignored, ultimately they were deemed so modest compared to the total personnel budget to be largely irrelevant.

Following the Board's decision to proceed with the phased plan, union shop stewards were given an advance copy of the scheme for their comments. "The non-contentious nature of the proposal," observed Davis, "eliminated the need for union negotiations or formal consultations. And quite frankly, labor was delighted with it." Subsequently, all employees were advised of the new retirement preparation options. To date, the plan has not been included in any negotiated agreement and remains a personnel policy offered and administered by the firm.

## PROGRAM PROVISIONS

The phased retirement plan is a voluntary program open to all English Abrasives employees with ten years of unbroken service regardless of grade level or job category. All eligible workers (eight to date) have decided to enroll in the program.

Participants may enter the scheme at any time during the last year of work prior to full retirement at age 65 for men and 60 for women. Employees and their managers are alerted to the program provisions at the time they become eligible in order that both worker and supervisor can plan for the employee's participation, if desired, and eventual retirement.

Participants choosing to enter the program may reduce their standard 5-day workweek (35 hours for staff, 40 hours for hourly-wage earners) with no loss in wages or benefits by the following increments:

(1) to 4 days, 12 months before retirement,
(2) to 3½ days, 6 months before retirement,
(3) to 3 days, 3 months before retirement.

To facilitate scheduling of work assignments while preserving the employee's right to choose how the leave is to be structured, workers may select which weekdays to take for retirement leave but must work out the schedule in cooperation with their immediate supervisors or managers. Should conflicts arise–none have according to Davis–the Personnel Department would intervene to resolve the dispute. Once arranged, the retirement leave schedule remains fixed. However, if participants decide that the program does not meet their needs, they may withdraw completely and resume a normal work schedule. None of the participants have reversed their decisions to enter the scheme.

Despite the shorter workweek, compensation continues uninterrupted at full salary levels for staff employees and at the basic hourly rate plus any bonus rate for rank-and-file employees as though they had worked a 40-hour week. Payment in lieu of time off and overtime pay are prohibited. Though there are no restrictions against outside employment during the phasing period, according to Davis, English

Abrasives would frown on such jobs as antithetical to the program's intent.

Because compensation levels are not altered, English Abrasives contributes to the national unemployment compensation, social security, and pension funds at the same levels it would if these employees had actually continued working full-time. Company pension contributions are based on the previous year's earnings so the restrictions on overtime pay during the year-long phasing period do not penalize participants' retirement benefits.

Departmental budget allocations are not altered due to employee participation in the retirement program—the firm maintains that internal costs for these workers do not change markedly despite reductions in their workweeks. In any head-count, participants are tabulated as full-time employees. If part-time employees are hired to insure adequate coverage of work assignments, they are counted as full-time if they work 75 percent of the week or more and as part-time if they work less.

Participants continue to receive performance appraisals though such measurements may be essentially meaningless in one's final year. At the staff level, annual evaluations are not linked to annual salary reviews and for retiring managers, the appraisal can amount to little more than "a cup of tea and a friendly chat." Hourly-paid workers are assessed by a point system twice a year rating attendance, job skills, cooperation, and other variables. Depending on the points earned, pence are added to or subtracted from a worker's hourly wage rate. In Davis' experience, however, program participants are unlikely to experience changes in their rates simply because their performance levels do not change markedly in their last year.

In addition to their retirement leave, participants receive the requisite number of vacation days for their grade levels and all legal holidays. Staff grades under Level 5 and hourly-paid workers are granted 20 vacation days a year, while staff grades 3, 4, and 5 are granted 22 days.

Program enrollees are prohibited from post-retirement employment of any kind with the company. In fact, English Abrasives' general policy is that all employees regardless of rank should retire when they become eligible for the national government pension (age 65 for men, 60 for women) if they have not already retired under an early retirement or redundancy scheme. However, employees with needed skills who have not opted for the phased retirement plan but who have reached pensionable age may be re-engaged on a short-term contract basis. If re-hired for work at a lower grade though, the workers receive the salary or wage rate and the vacation entitlement for the lower grade.

## PROGRAM IMPACT: COSTS AND BENEFITS

Since the phased retirement scheme is relatively new, procedures for evaluating it have not been formally instituted. All eight employees eligible for the plan have participated, and anecdotal evidence from them and from managers and personnel officials suggests that the program has been generally well received.

Potential problems with work coverage have not materialized, even in small units. In cases where participants are managers or office personnel, tasks have typically been spread out among co-workers. In clerical positions, temporary help are hired if necessary to insure that required assignments are completed on time. In the factory, spare personnel (supervisors, etc.) are routinely available to operate the primary manufacturing machines in cases of employee absences due to illness, vacations, and now retirement leave. But because pre-retirement absences are known in advance, shop foremen and managers are better prepared to rearrange work loads and schedules to meet coverage needs. Such scheduling is critical, particularly in the plants.

The eight participants–all males–have ranged from an employee at the second-highest staff grade (excluding the Board of Directors) to an hourly-paid worker. They include a sales training manager (Grade 4), field salesman, development engineer, shop foreman, and electrician. According to Personnel Director Davis, all eight have found the program to be very beneficial, and only one expressed any misgivings–he did not know what to do with the available leisure time. None have taken on additional jobs during the phasing period.

The program's restrictions on overtime pay and post-retirement hiring have not posed a financial disincentive to eligible employees. In reality, the current economic conditions have all but eliminated overtime assignments for all workers generally. Similarly, the ban on post-retirement hiring of participants has been inconsequential in that English Abrasives has discouraged any post-retirement work in order to open up jobs for younger, unemployed individuals.

As predicted by the Board of Directors, the costs of the phased retirement option have been low, in part due to the low number of participants. But the expected influx of enrollees, particularly among a block of foremen and senior managers fast approaching retirement, does not alarm company executives. Such demographic changes will mean that English Abrasives can increase the upward mobility of younger workers and according to the firm, may help ease the unemployment situation in the nation through new hires. Moreover, the program has forced the company to begin preparations for replacing retirees a little earlier than it once did; and the speeded-up succession policy is seen as a benefit, not a problem.

To date the program has not been revised to accommodate those workers who choose to retire early or who are made redundant before their normal retirement age. (Eight redundancies, including several older employees, occurred at English Abrasives in 1980).

## PROGRAM FUTURE

The positive results of the phased retirement program minimize the need for drastic changes in policy, according to Davis. When amendments are made, one expected revision will be to allow participants working 3½ days per week in the six months before retirement to take 1 day off one week, and 2 days off the next week rather than 1½ days off each week. The schedule is permitted now on an exceptional basis to ease the commuting time and expense for workers who live some distance from the plants.

Another probable change to increase the worker's flexibility in using the program will be to allow participants at one point in the program year (e.g., at 3 months) to change their choice of weekdays for their retirement leave. Such a provision would still enable the company to control planning, work loads, and personnel schedules, but allow the participants more freedom of choice in determining work and leisure times.

One aspect of the program is unlikely to change–the provision making all 10-year service employees regardless of rank eligible to participate. English Abrasives is greatly interested in harmonizing the benefits packages, where possible, for both salaried and hourly-wage employees, and the phased retirement policy open to all is in keeping with that spirit.

Personnel chief Davis does not envision any future inclusion of the retirement program in a formal contract with the trade unions represented at English Abrasives. Moreover, the unions appear very satisfied with the phased retirement program as it now exists and according to Davis, have not pressed for its incorporation into any labor-management agreement.

According to Davis, major alterations to the scheme or its elimination are not anticipated unless the firm's economic situation worsens dramatically.

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# JOSEPH NEWSOME & SONS

*"When I retired, I was a happy satisfied man. Without the [phased retirement] scheme, had I worked full-blown right up to the last day, I would have retired an old goat."*

*Participant*
*Phased Retirement Plan*
*Joseph Newsome & Sons*

*". . . it has enormous merit in terms of being advantageous to the bloke who's retiring, advantageous to the company, and it doesn't cost you anything. And if you've got a situation like that, you might as well use it. There aren't too many like that. We don't claim to be goodies about this."*

*John Kean*
*Managing Director*
*Joseph Newsome & Sons*

## PROFILE

Since 1964, the small woolen textile manufacturing plant of Joseph Newsome in Batley, England, has required its managers to participate in a 2-year phased retirement program. In 1975, Newsome implemented a similar 1-year phasing plan for its shop foremen. Both schemes provide incremental reductions in work time for participants at no loss in compensation and benefits. The plans are designed to assist the employees in their individual retirement preparation and to help provide the firm with competent replacements through a systematic training period pairing retiring supervisors with their successors.

## PROGRAM PROVISIONS

### Managers

The phased retirement program for upper-level staff begins two years before mandatory full retirement at age 65 for men and 60 for women. (Exceptions to the mandate are made in cases where the firm needs an employee's skills and the worker is willing to continue employment.) Upper-level personnel total 30 individuals and include the joint managing director and general works manager (Grade 1), division heads (Grade 2), and department heads (Grade 3). The phasing period is divided into four 6-month segments with retirement leave granted as follows:

Period 1 – 2 weeks of retirement leave
Period 2 – 3 weeks of retirement leave
Period 3 – 3 weeks of retirement leave and the normal workweek is reduced from 5 days to 4 days
Period 4 – 3 weeks of retirement leave and the normal workweek is reduced to 3 days.

The retirement leave granted is in addition to normal holidays and vacation time, and full salary levels and other benefits are maintained over the 2-year period.

Whenever possible, the company names a replacement for the retiring manager at the start of the phased retirement period, who gradually assumes more of the job responsibilities as the leave time for the senior manager increases. At the start of the fourth and final period, full job responsibility is transferred to the successor, and the retiring manager becomes a consultant.

**Shop Foremen**

According to Newsome's top management, the lower the job level, the less time required to train replacement personnel. The transition retirement program for Newsome's shop foremen–the lowest managerial tier–lasts only one year. The time is divided into four equal quarters with retirement leave granted as follows:

Quarter 1 – ½ day per week or 45 minutes per day or 1½ weeks per quarter
Quarter 2 – 1 day per week or 1½ hours per day or 3 weeks per quarter
Quarter 3 – 1½ days per week or 2¼ hours per day or 4½ weeks per quarter
Quarter 4 – 2½ days per week or 4 hours per day or 6 weeks per quarter.

As in the phased program for upper-grade managers, retirement leave is awarded in addition to normal holidays, and full salary for a normal week (5 days) is paid over the whole year. All other benefits (e.g., sick leave, pension contributions) are maintained at full levels as well.

According to Stephen Middleton, Personnel Manager, program participants must arrange their retirement leave schedules in advance with their supervisors. Foremen meet with their Grade 1 managers; and Grades 1, 2, and 3 enrollees report to the Managing Director. Given the size of the mill's total workforce (211 employees), the number of managers in the program at any one time is usually small; and leave schedules acommodating both the individual and the firm are not difficult to establish.

## PROGRAM RESPONSE

Most supervisors support and encourage program participation, according to Kean and Middleton. In fact, only one supervisor in the 16-year history of the plan has reacted adversely to a subordinate manager taking the retirement leave. Middleton explained that this sole supervisor is personally reluctant to retire and cannot understand why anyone else should be "keen to do so." While managers and foremen generally are aware of the retirement schemes and their own eligibility dates for the plans, the personnel office does notify them formally prior to the onset of their phasing periods.

While union officials were not involved in the development of the senior-manager retirement program in 1964, the company council, which includes labor representatives, supported the benefit extension to shop foremen in 1975. But to date, rank-and-file workers at Joseph Newsome have not pressed for a further extension that would include them in some form of phased retirement program. One factor that may help explain this apparent lack of interest is that by national agreement, all textile workers in Great Britain already receive 5 days of paid leave in the last 3 months of work to attend pre-retirement planning courses or to make personal retirement arrangements.

Participant reactions to the program have changed favorably over time. When the 2-year plan was first introduced, senior staff were skeptical of its intent. As John Kean, current Managing Director and originator of the senior-level phased program, observed, "Managers feared that the program meant they were being eased out at age 63–even earlier than the mandatory retirement at age 65–and that they were no longer useful." Now they welcome it.

## PROGRAM COSTS AND BENEFITS

Five of the 22 program participants (both current and former) were interviewed in this study, and all expressed enthusiasm for the firm's retirement plan. They find it highly beneficial in getting used to increased leisure time and in cushioning the shock of abrupt retirement. None were aware of any participants who had experienced problems with the program; and the shop foremen interviewed were especially pleased that they could freely choose how to take their leaves (e.g., on a daily or weekly basis or accumulate it over the quarters for a larger block of leave).

Neither participants nor corporate officers find that particular job categories restrict the choice of leave schedule. Two participating managers noted that their preretirement absences made it more difficult for them to keep track of work in their respective sections; but none of the five interviewed experienced problems in completing assigned work on time. As managers, they see one clear advantage of the program: the advanced notice of employee absences under the scheme helps them–indeed forces them–to plan better.

While participants acknowledged that retirement incomes in Great Britain are not keeping pace with inflation, they are keenly aware of the high unemployment rate in this Yorkshire region and across the country generally and are reluctant to work past their normal retirement ages. Only one of the five participants interviewed has taken another job in his retirement. As one pensioner commented, "I would have liked to work part-time and never retired, but I didn't feel it was right with so many young people needing work. At the time, retirement was more important to me than work."

There are several Newsome retirees, according to Middleton, who have returned to the plant to work part-time or even full-time in new capacities. Such employees draw both their pensions and salaries, and may earn more as "retirees" than they did during their regular working years. (The company's pension plan is not indexed to the inflation rate or any consumer price scale, but it may be withdrawn in a lump sum consumer price scale, but it may be withdrawn in a lump sum by the employee upon retirement and invested in other ways, e.g., annuity market, vacation home.)

The benefits of the phased retirement scheme to workers constitute only half of Newsome's rationale for implementing and maintaining the program. An equally important corporate factor in continuing the plan is its integral part in the mill's training and promotion program. Chief executive officer Kean explains: "We have always tried to promote from within where we can. And if you do that, then you're going to have two people in the last period of someone's career–one being trained up and the other being phased out."

Managerial successors at Newsome, whether promoted from within company ranks or brought in from outside, typically serve with their predecessors over a 1- or 2-year period. Thus, because two salaries are already budgeted, the phased retirement program costs essentially represent training costs to the company. The plan also allows time for the company to assess the performance of the person named to replace the retiring manager and to correct any training deficiencies.

Moreover, the top managers at the mill believe that program costs may be offset by gains in productivity among older managers. In citing this cost/benefit ratio, Newsome's Financial Director Douglas Bracewell notes that the retirement leaves may provide rest for senior managers, enabling them to work longer without disability.

Although the company views the phased retirement program as economically feasible for managers, Newsome executives Kean, Middleton, and Bracewell concur that a similar provision for rank-and-file employees would be too costly for the firm at this time. There is also less need for a lengthy training/transition period among the hourly-paid workers. According to Kean, spinners and loom weavers can be taught their trade in several weeks compared with managers who need months of preparation. And finally, Middleton and Bracewell contend that the national union agreements granting non-managerial textile workers 5 days of paid pre-retirement leave are already costly to the mill in wages and lost working time. As a result, despite social merit and benefit to the worker, additional paid leave for hourly wage earners is difficult for Newsome's management to justify financially especially in the current period of economic downturn.

## PROGRAM FUTURE

Heightened competition from foreign manufacturers and the current recession in the British economy have forced Newsome to consider carefully any increases in labor costs. The plant's workforce has been cut by 100 employees in the past year alone—70 workers left voluntarily and have not been replaced and 30 more were awarded redundancy pay (a form of severance pay) when their jobs were eliminated. No data were made available on the ages of these 100 employees, but Middleton noted in the study discussions that most who leave voluntarily are relatively young workers with short service records.

The economic future of Joseph Newsome and Sons is closely tied with the health of the British economy generally. While neither the company nor the country can predict with assurance what their financial futures will be, the executives at Newsome intend to maintain the phased retirement program for their managers and foremen and foresee no need to change its eligibility or leave provisions.

If economic conditions improve, the company's Managing Director Kean would like to implement a similar 3- to 6-month phased retirement program for rank-and-file employees. And participants in the current scheme applaud the prospects for such an extension as a means of helping all older employees prepare for retirement.

Joseph Newsome considers itself a pioneer in the development of quality employee-relations. In 1965, *The Times* reported on the very active role played by the mill's management-labor council in resolving internal conflicts. Chief executive Kean noted that the firm implemented a dismissal appeals procedure and a redundancy scheme long before these processes became national labor policy. For the plant, innovation in personnel management is one means of staying alive in a troubled woolen textile industry; and the phased retirement scheme is for them, just one more attempt to do that.

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# BBA GROUP PLC

*Company:* BBA Group PLC
*Location:* Cleckheaton, West Yorkshire, Great Britain
*Type of Industry:* Manuf–Friction Materials for Automotive and Industrial Textiles
*Number of Employees:* 2,920 (United Kingdom)
2,443 (Overseas)
*Unionized:* Yes
*Program Initiated By:* Union
*Date Implemented:* 1979
*Program Contact:* Mr. J. Rose
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## PROGRAM SUMMARY

All employees of the BBA Group PLC (including directors) in the United Kingdom are eligible to participate in the company's phased retirement scheme in the year prior to normal retirement age. Men may enter the plan at age 64, and women may take advantage of the benefit at age 59.

During the first six months of the final year, employees are entitled to one day off per workweek. During the second six months, participants receive two days off per workweek. Earnings for time off are maintained at full levels, including overtime and allowances (e.g., night shift allowance).

Employees who wish to participate in the program must make arrangements with their supervisors regarding which days off will be taken. The final choice is left to the discretion of management; and once a particular day has been chosen, it cannot be changed except in emergency circumstances. Phased retirement leaves are arranged so as not to impair the efficiency of the employee's department. Of those employees eligible to participate in the retirement scheme, 98 percent choose to do so.

# KALAMAZOO PLC

*Company:* Kalamazoo PLC
*Location:* Birmingham, Great Britain
*Type of Industry:* Manuf/Service–Office Systems and Small Business Computers
*Number of Employees:* 2,000
*Unionized:* Yes
*Program Initiated By:* Kalamazoo PLC
*Date Implemented:* 1979
*Program Contact:* Mr. Colin Beardwood
Personnel Manager
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## PROGRAM SUMMARY

Since 1979, all employees of the Kalamazoo PLC firm have been eligible for a four-day week in the six months prior to retirement, and a three-day week in the final three months before retirement. (Men retire at age 65, women at age 60.) The benefit was first made available to clerical, sales, and executive staff and then extended to manual workers by agreement with the appropriate trade unions.

Under the Kalamazoo phased retirement plan, participants continue to receive full compensation and benefits despite the reduction in working time. All employees eligible for the benefit (40 workers to date) have elected to take advantage of it. Company officials indicate that the program was implemented for reasons of social responsibility and hiring/recruitment.

# FEDERAL REPUBLIC OF GERMANY

Retirement alternatives have garnered widespread interest and support across the Federal Republic of Germany. One-third of the workers responding to a recent national survey (Derschka and Gottschall, 1981) urged the lowering of the state retirement age and over 70 percent wanted staggered retirement options. Industry-wide collective bargaining agreements now often include provisions granting older workers extra leave, phased retirement benefits, dismissal protection, income safeguards regardless of demotion or transfer, or early retirement (*European Industrial Relations Review*, 1980, *83*, pp. 6-9). And some government proposals now under consideration would lower the pensionable age for men from 63 to 59 as a way to create jobs for younger workers (*EIRR*, 1982, *98*, p. 5).

Innovations in working time arrangements–daily, weekly, yearly, and over the life cycle–have long been advocated by German labor expert Dr. Bernhard Teriet. "The concept of time," according to Teriet, "is misused with regard to work: standardized punctuality counts as a greater virtue than productivity . . . [we need] alternative, flexible, person-oriented solutions which will give young people long breaks to learn something and older people a chance to cut down full-time work in preparation for retirement" (Derschka and Gottschall, 1981, pp. 152-154). Dr. Teriet and others have followed closely the development of phased or gliding retirement options for older workers in the Federal Republic and have worked with management and labor in designing working time alternatives that will meet the needs of both employer and employee.

Any discussion of phased retirement policy in the FRG must be prefaced with a brief explanation of co-determination–the system of labor-management decision-making enforced by federal statute in every German firm. By law, workers in the Republic have a defined influence in the operation of the company employing them–an influence which increases with the size and assets of the firm. Allen Falk (1982), a labor-relations specialist for the Ford Motor

Company in Germany, summarizes the major rights legally guaranteed worker representatives as follows: (1) specific information rights concerning profits and losses, investment plans, head-count and personnel planning, product development, etc., (2) consultation rights to present alternatives and suggestions to management, and (3) approval rights in matters of hiring, firing, training, transfers, and overtime.

Thus, dismissal policies in a given company affecting older workers are subject to approval by representatives of the workforce. Other national statutes, notes Falk, cover aspects of the "working environment and working time regulations" (p. 200). Therefore, phased retirement benefits, if offered by individual companies, are subject to overview by the workers council. (The case studies of two individual company programs--Pieroth and Deutsche BP--follow this country profile.)

Minimum wages and salaries for workers in the FRG are not covered by federal legislation nor by company-wide negotiation but by collective agreements worked out between alliances of employers within the same industry and geographical area and their union-association counterparts (Falk, p. 200). Paid vacations and job classifications are similarly negotiated on an industry-wide basis. The Sonderregelung provisions awarding phased retirement options to workers in the German cigarette industry and the regional Old-Age Spare Time plans providing phasing benefits to older employees in the brewery industry illustrate industry-wide collective-bargaining agreements and are featured in the Reemtsma and brewery industry case studies which follow this national summary.

Within the co-determination context and often as part of collective-bargaining agreements, workers and employers have sought mutually beneficial retirement options. Dr. Harald Russig (1981), a researcher with the International Institute of Comparative Social Studies in Berlin, in discussions with the NCAWP research team, observed that many German employers view early and phased retirement programs as less costly and cumbersome means of easing older workers out of the labor force than through disability pensions which are expensive for employers and difficult for employees to qualify for in the FRG. Through transition retirement plans, older workers are able to leave the workplace gradually and sometimes earlier than planned to enjoy their retirement. For workers in noisy and arduous jobs in the metal and manufacturing industries (Deutsche BP and Reemtsma, for example), the shortened workweeks and extended leaves provide much-needed relief; and for employers, according to Russig, the plans reduce costly absenteeism levels

Teriet also addressed the issue of costs and benefits of phased retirement programs in similar discussions with the NCAWP team (Teriet, 1981). In assessing gliding retirement, he noted, "In Germany, many firms hired workers in the 1950s who were in their twenties and are now reaching retirement. Unless new and younger workers are hired, firms will soon be without experienced help. . . . Phased retirement can help a firm shift older workers out of the labor force in a way that benefits the employee and bring in younger workers critical to the firm."

As in other Western European countries, union support of phased retirement opportunities in the FRG is closely tied to labor demands for a shorter workweek for all employees–a change which German employers strongly oppose as economically unfeasible. According to Teriet (1981), general employer resistance to a 35-hour workweek has sometimes stymied and sometimes facilitated labor-management negotiations to win reduced-hour benefits for older workers.

Discussions of retirement flexibility are not limited to labor-management negotiations in the FRG. The Parliament in Bonn is also exploring ways to combat unemployment through adjustments in social security insurance regulations (*EIRR*, 1982, 98, p. 5). Under the current system, men with 35 years of contribution (180 months) may retire at age 63; those with 15 years, at 65; and disabled males with 35 contribution years, at 60. Women with 10 insurance-contribution years in the last 20 may retire at 60, and workers who have been unemployed for 12 of the last 18 months may begin collecting their old-age pensions at age 60. One proposal under review would lower the pensionable age for men from 63 to 59 as a mechanism for opening up jobs for younger, unemployed workers.

Regardless of perspective, phased retirement and the flexibility it brings have won support from German employers, workers, and government representatives. The case studies which follow–Deutsche BP, Pieroth, Reemtsma, and the Old-Age Spare-Time program–highlight some of the options available to employees nearing the end of their working lives in the Federal Republic of Germany.

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# DEUTSCHE BP

*"You can't split this program between labor and managers because everyone is going to be old someday and will benefit from it. . . . Programs are not really effective if they are just social–they must help the company, too. . . . To work up until the last day of your working life and then retire is a shock–an absolute shock–that is the worst thing that can happen."*

*Ehrenfried von Waldow, Member*
*Board of Directors*
*Deutsche BP*

*"Young people have made the decision to come to BP because they know that they can work here their entire life; and because of the retirement program, they know that there will not be a terrible end of working life. This is a calculated good benefit–it is more than philanthropic."*

*Karl Heniz Banse, Member*
*Workers Council*
*Deutsche BP*

## PROFILE

Deutsche BP and its subsidiaries make up the largest mineral oil company in the Federal Republic of Germany. Though a daughter company of British Petroleum, Deutsche BP remains autonomous in the development of its personnel policies which affect over 4,400 employees in the Hamburg headquarters and its plants and facilities throughout the country.

Due to the highly technical nature of the petroleum industry and its intense competition for skilled German laborers, Deutsche BP places a priority on insuring that its workers can adapt to changes in the field as well as in their own lives. In line with this corporate commitment, the company elected in the late seventies to review the problems confronting its older workers; and as a result of this study, Deutsche BP introduced an extensive program of retirement preparation, including a phased retirement option, for employees 55 and older.

Since implementation in 1979, the "Work and Old Age" program has provided eligible BP employees with extended sick leave benefits, income guarantees despite changes in job level or efficiency, exemption from performance appraisals, flexible and reduced work hours at full compensation, pre-retirement counseling and seminars, and free health examinations. The program provisions and policies are administered by the company in consultation with the various Workers Councils, but are not part of any collective bargaining agreement.

Personnel administrators and members of Workers Councils alike at Deutsche BP regard the program positively. They view it as one in which both labor and management "share a common denominator"–a joint responsibility to insure that "work and worklife are humane."

## PROGRAM DEVELOPMENT

In early 1976, Dr. Hellmuth Buddenberg, President of Deutsche BP, announced at an employees' meeting that the company Board of Directors intended to establish a program addressing the problems of older workers. Later that year, the idea was discussed in detail at the firm's management conference which focused on ways to increase cooperation and teamwork between older and younger workers.

In order to identify specific needs and concerns of its older workers, BP and the Cologne Institute for Social Research and Social Policy collaborated in the construction of an extensive survey distributed in November 1977 to all BP employees over 45 years old. The written questionnaire asked for employee attitudes regarding personal performance levels, working conditions for older members of the labor pool, and retirement expectations. Of approximately 2,000 workers receiving the survey, 1,475 returned completed questionnaires. The responses were analyzed and evaluated by the Cologne Institute, and according to company officials, generated the following conclusions:

"(1) Stress and hectic working conditions were considered to be a burden by many employees.

(2) More than 50 percent of those surveyed wished to be freed from performance evaluations on reaching a certain age.

(3) There was fairly widespread concern that performance would decrease with increasing age.
(4) Employees considered it important to be protected against social risks, as in the case of illness.
(5) Consultation was required on personal questions.
(6) The transition to retirement should be made easier.
(7) The older employees wanted working hours to be reduced with increasing age."

From August 1978 through January 1979, a team of BP personnel managers and training staff developed a program for older workers based on the concerns expressed by the surveyed employees. From January to April 1979, the program was introduced to the BP Board of Directors and to the Workers Councils in the various BP plants and facilities. (Each site has a Council comprising representatives elected on a proportional basis by the blue- and white-collar workers at that BP location.)

The Board of Directors unanimously supported the program design without any misgivings or questions. The Workers Councils, according to company officials, voiced only one objection: the provisions were not part of a collective bargaining agreement and thus not legally binding on the employer. BP, however, refused to include the benefits in any formal labor-management contract on the grounds that the company needed the flexibility to alter the program if economic conditions or production demands necessitated any change. The compromise position finally agreed to by employer and employee representatives states that workers are entitled to the program benefits if administratively feasible for the company. The scheme officially began in September 1979.

During the development period (1976-79) for the older employee program, Deutsche BP was also involved in a "rationalization" plan to reduce the size of its labor force. According to Wilhelm Brünger, Head of the BP Social Affairs Department, while the two plans were considered independent personnel policies and did not chronologically coincide, the rationalization scheme did permit and encourage employees to retire fully at age 55 and indirectly affected the "Work and Old Age" program. Many workers decided to take the early-out option and to receive financial compensation (approximately 75 percent of their former pay level) from BP until they became eligible for regular social security and company pension benefits.

Many employees who normally would have participated in the "Work and Old Age" program chose to retire early under the "rationalization plan." As a result, relatively few older workers were available to participate in the pre-retirement program during its first few years. (BP's average retirement age dropped from 63 to 58 during rationalization but has since risen again to 62.) With rationalization now over, more employees are expected to enroll in the older worker program.

The ultimate impact of the early-out rationalization plan on the "Work and Old Age" scheme, however, has proved most beneficial. As Program Administrator Christa Junge observed in the study interviews in May 1981, "We see it as a good thing that the program was introduced when we had few older workers to take advantage of it. That gave us time to work out the problems, and we hope we are ready now when more workers request the program benefits. With a big age block of employees approaching retirement, we need to be firmly in our seats."

## PROGRAM PROVISIONS

The "Work and Old Age" program at Deutsche BP is designed to address the concerns facing older workers not only during their final years with the company but in their retirement as well. From the Board of Directors to the BP shift workers, all employees are eligible for the multi-faceted program upon reaching age 55. Program provisions are outlined in an information booklet devoted to the scheme and distributed to every employee and to new workers when hired. The company newspapers also alert employees to the program, and immediate supervisors are responsible for discussing its provisions with any eligible worker.

The program consists of seven basic benefits—all optional. The scheme is administered generally by the BP Personnel Affairs Office, but specific arrangements are left to the participating workers. Benefits include the following:

(1) *Free Health Tests*

Employees aged 40 and older are offered free health examinations every two years, and those 50 and above may receive the free examinations every year.

(2) *Loss-of-Earnings Security*

Workers aged 55 and older who experience decreasing efficiency in their jobs and are transferred upon their own request or by the company to a less-demanding position are guaranteed their previous level of earnings. Any subsequent negotiated wage or salary increases are likewise awarded the employee based on the former higher grade level.

Fully-paid sick leave benefits are payable for 9 months in cases of prolonged illness or disability for workers 55 and older. Paid sick leave for employees under 55 depends on service. Employees with 3 years tenure receive 8 weeks leave increasing to 6 months leave for those with 12 years service and longer. (By German law, all workers are entitled to 6 weeks sick leave with full pay per year.)

(3) *Performance Evaluation Waiver*

Employees 55 and older are removed, at their request, from the company performance evaluation system. Subsequent merit increases for those choosing the waiver are based on the employee's mean performance score for the five previous years. Only salaried, non-managerial employees are included in the performance evaluation process.

(4) *Flexible Work Hours*

Non-shift workers 55 and older may totally determine their own daily working schedules, insofar as conditions permit, as long as they complete the requisite number of hours per month. BP headquarters staff and office workers in the various plants have flexible starting and stopping times with core hours from 9:00 a.m. to 3:30 p.m., but workers over 55 are not required to adhere to even the core hours.

(5) *Employee Consultant*

An employee consultant is available on the premises to advise older employees (55 years and older) regarding social security benefits and regulations, taxes, health and unemployment insurance provisions, company pension plan matters, and other financial issues.

(6) *Pre-Retirement Seminars*

In the two years preceding retirement, employees and their spouses are invited to attend a one-week seminar designed to prepare them for the worker's eventual retirement. One-day seminars are also held frequently. The sessions focus on health and nutrition issues, tax and pension regulations, leisure pursuits, and elderly housing, and are typically conducted by in-house physicians and lawyers during regular work hours. Workers are fully paid during their absences to attend the one-week or one-day seminars.

(7) *Working Time Reductions*

In the second-last half year before retirement, employees may choose to reduce their daily working time by two hours, and in the last six months, by four hours, if company conditions allow. According to the program provisions, this additionai leisure time is to be used for "meaningful preparation for retirement" in order to allow "a smoother transition to retirement," and is set up on a daily basis as the "best way" for workers to learn "how to handle their free time."

Compensation and benefits remain unaltered despite the decrease in working time, and employees are prohibited from accepting outside employment during this time.

In cases where a ¼- or ½-day reduction is not feasible, the program administrator has the authority to make alternative scheduling arrangements. For example, sales representatives may find it easier to work a 20-hour week over 2½ days rather than 5 days.

Although not part of the "Work and Old Age" program, Deutsche BP employees aged 56 and older are entitled by binding agreement with the union IG Chemie to two extra holidays annually. All BP employees are eligible to participate in the company's profit-sharing plan.

## PARTICIPATION

Deutsche BP officials provided the research team with demographic data compiled in August 1980 regarding the number of BP employees eligible (or expected to be) for the "Work and Old Age" program from 1979 to 1983 (Table 1). The company also prepared a graph showing the number of male and female employees by age as of May 5, 1981 (Table 2).

Both tables suggest that participation rates in the retirement program will increase over the coming decade. The influx may

## TABLE 1
## NUMBER OF BP EMPLOYEES AGED 55 AND OLDER (1979-1983)

| Employee Category | 1979 | 1980 | 1981 | (Projected) 1982 | 1983 |
|---|---|---|---|---|---|
| Male | 374 | 412 | 488 | 606 | 718 |
| Female | 39 | 44 | 48 | 64 | 77 |
| Salaried | 279 | 297 | 344 | 426 | 495 |
| Wage-earning | 134 | 159 | 192 | 244 | 300 |
| Total | 413 | 456 | 536 | 670 | 795 |

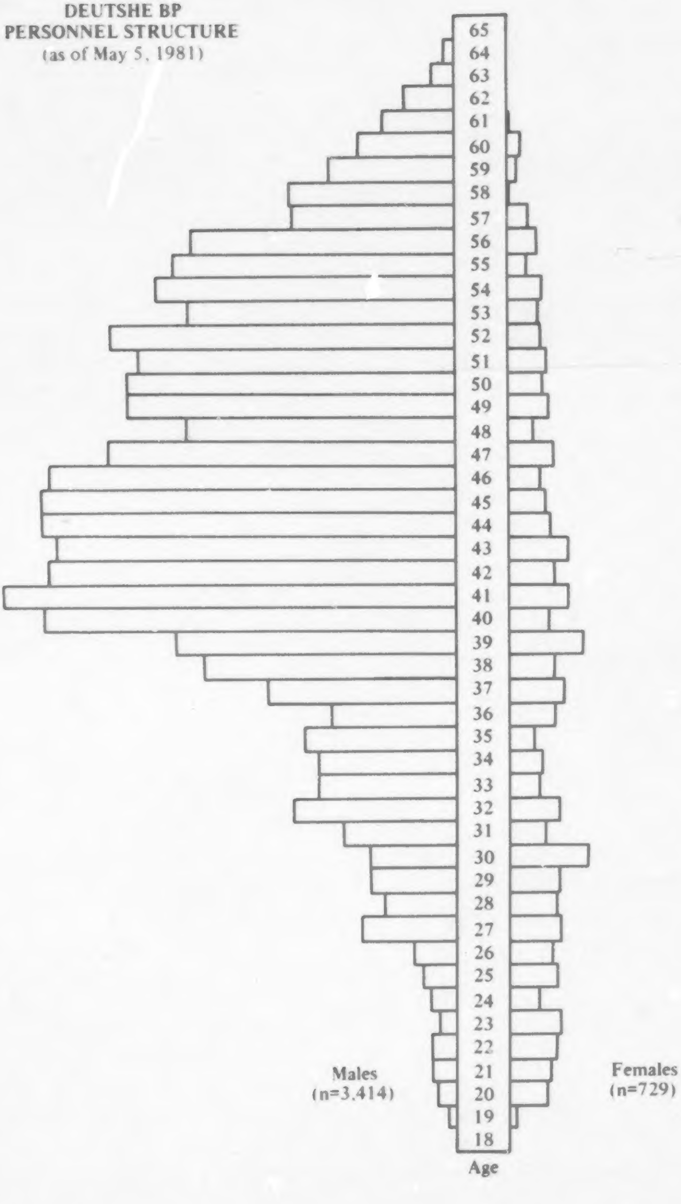
be attributed not only to completion of rationalization in December 1980, during which workers could retire early at 55, but also to the overall aging of BP's workforce which has a very low turnover rate and can be expected to remain with the firm until retirement.

From September 1979 through June 1980, 32 employees retired; and of these, 30 chose to work reduced schedules as provided by the older worker program. Approximately 50 employees will have retired from July 1980 to June 1981, with 49 opting for shorter working times. The phased retirement option appears to be a most popular benefit, undoubtedly due in large part to the maintenance of full compensation levels for reduced work hours.

Although no empirical evidence is available, BP program officials noted in the on-site discussions that participation rates in the reduced work-hour scheme may vary somewhat depending on one's job level. The administrators observed that nearly all eligible employees for the phased retirement option to date have been in the non-managerial ranks; BP managers are currently clustered in the 45-55 year age bracket and thus have been ineligible to participate in large numbers so far. However, when these managers reach eligibility, according to Brünger and Junge, they may be less likely to participate in the phasing process due to their major reponsibilities than white- and blue-collar, non-managerial employees who almost invariably enter the program. Beyond the job-level factor, Brünger and Junge also noted that phased retirement work-hour reductions are much easier in cases where an individual's successor has been named and is beginning to

TABLE 2

DEUTSHE BP
PERSONNEL STRUCTURE
(as of May 5, 1981)



assume the job responsibilities of the older worker, even though the phasing option is not viewed as a formal training mechanism at BP.

Company administrators also provided information concerning participation rates in the other segments of the older employees program after one year in operation (as of August 1980). Approximately 30 percent of those workers entitled to the free health examination had availed themselves of it. While the company recorded no cases of an older employee being transferred to a lower grade in the first year, Brünger and Junge noted in the May 1981 discussions that three or four non-managerial (white- and blue-collar) employees had since been moved to lower-level positions while retaining the wage or salary compensation of their former grades under the program's income-security guarantee. The extended sick leave benefits had been used in isolated cases in the program's initial year.

In the 1979 performance evaluation process, 182 employees 55 and older requested that future evaluations be eliminated, while 20 asked that their work continue to be measured. Only a few employees have opted to use the provision allowing them to set their own daily hours.

Approximately 230 individuals sought advice from the in-house consultant for older-employee concerns in the first 12 months of the program with most questions revolving around the state and BP pension schemes. About 70 employees along with their spouses attended one-week seminars (10-11 couples per seminar) on pre-retirement planning during their final year with the company. Data on participation rates in the one-day retirement preparation sessions were not available.

## PROGRAM EVALUATION: COSTS AND BENEFITS

### Corporate Perspective

Deutsche BP is a highly capital-intensive company, and overall personnel expenditures represent roughly one-fifth of corporate costs. Total corporate outlays are estimated at 1.15 billion DM (approximately $460 million) annually while wages, salaries, and related costs equal approximately 240 million DM or $96 million a year. Annual costs for the "Work and Old Age" program have not been determined as a specific budget line item, but primarily represent costs related to replacing workers during the reduced-work phased retirement period.

Budget allocations to the various divisions and departments of BP are based on the profits generated by each unit. Thus, the shortened workweek of an employee in the final year before retirement could theoretically reduce a given unit's productivity and profit, resulting in a reduced budget allocation. Personnel officials, however, indicate that in reality, departmental budgets are not jeopardized by participants in the shortened workweek program simply because older individuals are scattered fairly evenly across the plant operations, equalizing the budgetary impact of their participation in the phased retirement program. If their numbers were especially high for a given profit-center, the budget allocation to that unit would be adjusted to avoid penalizing it.

The chief corporate benefit of the program, according to BP officials, lies in its positive impact on workforce morale and participant job-satisfaction levels. That may have a spillover effect in improved productivity, says Brünger, though that result has not been measured to date.

In the start-up phase of the program, managers, supervisors, and colleagues needed time to adjust to the occasional absence of co-workers participating in the reduced-work element of the program, according to Junge. But she observed, "The learning process has now been successfully completed." Management and labor officials agree that the program provisions have not sparked intergenerational conflict in the labor force, and younger employees seem anxious that the scheme be continued so that they can benefit from it someday. Thus, the phased retirement program has not disrupted BP operations, generated coverage problems for the company, or led to intergenerational conflict among the workers.

## Participant Perspective

Participants in the program do not suffer financially in that wages, salaries, and benefits are maintained at full levels. BP pensions are reviewed annually and in the last few years, like BP wages, have been adjusted annually to keep pace with inflation. Of course, if healthy male employees elect to retire when first eligible for national social security benefits at age 63, their government benefits are slightly reduced because the employee (or employer on behalf of the worker) stops contributing to the social security fund before he reaches age 65.

Apart from financial consequences of participation, the Cologne Institute for Social Research and Social Policy surveyed all retired employees in a 1981 study concerning the "Job Environment for Older Workers with Deutsche BP." Company officials provided the NCAWP research team with the survey instrument and results, suggesting that the most empirical assessment of worker attitudes toward the "Work and Old Age" program could be gleaned from the Cologne study.

The survey respondents included 437 male and 72 female retirees, more than half of whom left BP under the "rationalization" program. Only one in ten of the retirees responding to the Cologne survey was still working at BP when the "Work and Old Age" scheme was fully implemented in 1979. Thus, relatively few individuals in the sample actually took part in the program, but all—participants and non-participants alike—were asked their assessments of the scheme provisions.

When questioned about which option would have been more desirable—early retirement or reduced work hours prior to retirement, three out of five respondents indicated a preference for early retirement citing the positive impact of such a decision on easing unemployment for others and reducing unhealthy stress on oneself. Interestingly, those favoring work-hour reductions cited the same reasons for their response but also suggested that cutbacks in working time would be good preparation for retirement.

Though most had retired before they could benefit from the older worker program, the Cologne study respondents were asked to assess a series of measures to reduce the work-related stress among older employees. Their responses (summarized in Table 3) provide further evidence of worker reactions to the "Work and Old Age" program provisions as well as to other personnel policies that could benefit employees nearing retirement. A majority (sometimes overwhelming) of the Cologne study retirees indicated that provisions for free health exams, income guarantees, extra sick-leave, performance evaluation waivers, older-employee consultation, pre-retirement seminars, and working-time reductions would help older employees to reduce job-related stress. All these benefits are part of the "Work and Old Age Program" at BP.

## TABLE 3

## ATTITUDES TOWARD VARIOUS STRESS-REDUCTION MEASURES FOR OLDER WORKERS BY RETIRED DEUTSCHE BP EMPLOYEES*

| | Percentage of Respondents (n=509) | | | | |
|---|---|---|---|---|---|
| **Provision** | **Makes Sense** | **Useful** | **Not Useful** | **Makes No Sense** | **No Answer** |
| Free health exam at 40 | 72.9 | 21.6 | 3.9 | 1.4 | 0.2 |
| Reduced work time in final years | 44.4 | 28.9 | 14.7 | 11.8 | 0.2 |
| No overtime after 55 | 51.1 | 32.8 | 9.8 | 5.5 | 0.8 |
| Full-time consultant for older workers | 22.8 | 38.5 | 22.5 | 15.9 | 0.6 |
| Extra sick-leave up to 9 months | 50.5 | 39.5 | 6.1 | 3.5 | 0.4 |
| Income-guarantee despite demotion or job redesign | 69.4 | 23.2 | 2.8 | 3.9 | 0.8 |
| Job security | 46.2 | 33.8 | 10.2 | 9.4 | 0.4 |
| Premium pay for night shift workers despite transfer to day shift | 58.5 | 29.9 | 6.1 | 3.3 | 2.2 |
| Job training with full pay | 36.0 | 33.0 | 19.3 | 10.8 | 1.0 |
| Additional vacation after 55 | 65.2 | 27.9 | 5.3 | 1.2 | 0.4 |
| Job appraisals waived after 55 | 55.8 | 19.8 | 11.2 | 12.8 | 0.4 |
| Pre-retirement program during work hours | 34.6 | 35.8 | 18.7 | 10.4 | 0.6 |
| Ombudsman for older employees | 34.2 | 39.7 | 15.5 | 9.6 | 1.0 |
| More and longer work-breaks with pay | 11.2 | 27.3 | 32.0 | 27.5 | 2.0 |
| Older workers involved in job and responsibility redesign | 34.6 | 41.8 | 14.3 | 8.6 | 0.6 |
| Free scheduling of work-time apart from regular flexitime | 17.7 | 24.6 | 30.3 | 25.9 | 1.6 |
| Special jobs for older workers | 17.9 | 22.6 | 24.0 | 35.2 | 0.4 |

*Cologne survey question #44.

In response to still other questions regarding the program provisions, slightly more than two-fifths of the sample indicated that older workers 55 and above should be allowed to reduce work hours prior to retirement, while 17% felt the age threshhold should be 50 years and 11% suggested 60 years. When asked how such reductions should best be made without loss in compensation, one-third of the sample chose longer weekends as their first choice, close to one-fourth selected daily reductions first, and approximately one-fifth favored prolonged vacations as the best alternative. And when questioned about their interest in such work-hour reductions if accompanied by a loss in compensation, 7 in 10 retirees said they would not have been interested in such a plan, while others would have been interested only if the pay reductions were minimal and not totally proportional to the hour reduction.

Among the 39 retirees who indicated that they had reduced their working time prior to retirement, 31 expressed no problems with the reduction. Five cited difficulties with superiors due to their shortened schedules, 1 person reported problems with colleagues, and 1 participant had trouble with the shift schedule and work reductions.

In evaluating still other provisions of the "Work and Old Age" program, three-fifths of the Cologne sample agreed that older employees should be freed from annual job evaluations. Three-fourths concurred that workers aged 55 and older should be guaranteed former grade pay levels and pay increases despite transfer to a lower grade, and a few suggested that this protection should be granted as early as age 50. A majority (76%) agreed that shift workers aged 50 years and older with 10 years service, if transferred to day work, should be allowed to continue receiving the shift pay premium. Three out of five respondents indicated that a company ombudsman for older workers was needed.

In summary, the Cologne survey of BP retirees reflects their generally positive view of the benefits now available to older employees of the company. While more respondents favor early retirement over work-hour reductions prior to normal retirement–perhaps reflecting their own experiences under the rationalization program–many expressed interest in a phased retirement scheme provided compensation levels are maintained. Indeed, the BP program does not reduce wages or salaries despite schedule reductions–a guarantee the company retirees would certainly applaud.

BP officials did note that the phased retirement provision of the program has forced the spouses of participants to adjust their activities. Lunch is the main meal of the day in Germany, and wives have complained that husbands who heretofore were never home for lunch are now there waiting to be fed.

## FUTURE

Program administrators of the "Work and Old Age" program at Deutsche BP agree that if given the opportunity to revamp the scheme, they would not alter it in any way. They view it as highly successful in helping older workers adjust to retirement.

The intense competition for skilled labor among the petroleum companies in the Federal Republic of Germany and the shift in emphasis within the industry from oil to natural gas, coal, and plastics production demand personnel policies that will enable Deutsche BP to attract, retain, and retrain quality personnel, whatever their ages. The provisions in the older employee program are consistent with the company philosophy expressed by Board of Directors member Ehrenfried von Waldow: "Without the highest caliber of staff possible, we cannot excel as a firm; and that means offering more than just wages."

While the age demographics indicate that BP employees will soon be entering the retirement preparation program in greater numbers and program costs can be expected to increase accordingly, neither management nor Workers Council representatives fear that the older employee provisions will be suspended. They say the program is too valuable and has too much support–particularly from the Board of Directors–to allow that to happen. Administrators acknowledge that elements of the scheme such as the retirement counseling program are now considered more essential by employees than other personnel services once deemed important; and consequently, they would be difficult to drop.

*Personnel officials at Deutsche BP reported in April 1982 that due to economic conditions in the company, a new rationalization plan must be negotiated and one refinery has already been closed. No data are available yet on how the rationalization and the resulting loss of jobs and employees will affect participation rates in the "Work and Old Age Program."*

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# PIEROTH

*"As an entrepreneur I can go on working for as long as I like; and I would like my staff to enjoy the same privilege."*

*Elmar Pieroth, 1979*

*"Elmar Pieroth himself considers this flexible transition to retirement as an effective and practical contribution towards humanizing work and especially the jobs of groups of workers exposed to particular problems."*

*Frankfurter Allgemeine Zeitung*
*für Deutschland, April 27, 1977*

## PROFILE

The wine producing and distributing company of Ferdinand Pieroth has enjoyed a healthy economic growth in its thirty years of operation in the Rhine region of Germany. Considered a major employer in the rural area where the firm's processing plants are located (Burg Layen and Langenlonsheim), Pieroth maintains a domestic labor force of over 1,800.

Personnel policy at Pieroth reflects both the managerial philosophy and political perspective of company president Elmar Pieroth, who also holds a seat in the FRG Parliament. At his insistence, for example, the firm is governed by a Board of Directors representing both capital and labor even though the company's size does not make such a body mandatory under German laws of codetermination.

The "Older Employees" program at Pieroth is likewise a brainchild of the firm's chief executive, though its provisions are now part of a formal contract between company management and labor. The scheme offers older workers protection against salary and wage cuts and dismissals, monthly seminars on retirement planning, the option of reduced workweeks with partial compensation for lost pay, and employee flexibility in deciding when to retire.

## PROGRAM DEVELOPMENT AND IMPLEMENTATION

The conceptual framework for the Pieroth scheme, according to company personnel officials, was introduced in 1979 by Elmar Pieroth to reduce or minimize the adverse effects of abrupt and mandatory retirement–to cushion workers against retirement shock. From the outset, the program idea received the support of the firm's Board of Directors and Workers Council.

In order to formulate the most workable program possible, Pieroth first requested information on the special and specific needs of his older employees. Various eligibility guidelines were then considered in gauging potential participation rates. All departments that would conceivably be affected by the program were surveyed, and experts on aging and retirement planning from across the Federal Republic of Germany were consulted.

A committee composed of representatives from management and labor assumed responsibility for coordinating the actual development and implementation of the older workers' program. All workers at or approaching eligibility age for the scheme were invited to an information seminar to discuss the proposed program, and written memoranda outlining the final provisions were distributed and posted throughout the Pieroth plants.

Initial reactions to the scheme from parties outside the formal decision-making structure were mixed. Workers within the winery greeted the program enthusiastically, realizing that sooner or later they would benefit under it. Organized labor–and specifically the company's trade union NGG–viewed the plan as a positive preliminary step toward a shorter workweek for all employees regardless of age. But the organization of German employers voiced skepticism and concern regarding the plan for the same reason that labor applauded it. The employers' group feared that Pieroth's willingness to grant older workers reductions in the workweek, rather than annually or over the lifetime, might fuel demands in other companies for a 35-hour workweek generally.

Personnel officials at Pieroth note that some union, employer, and government policymakers opposed the plan's provisions allowing workers to continue in their jobs beyond the normal retirement age (at 65 for men, 60 for women) on the grounds that such privileges took needed jobs away from

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younger workers. Company administrators countered these objections then and now, citing the low number of employees who choose to work past traditional retirement age, as well as the relatively open job market in the rural area surrounding the Pieroth plants. In fact, the winery has to recruit employees from urban areas twenty miles away in order to fill some highly-skilled positions.

The only real concern raised by employees at the time the plan was introduced revolved around how work previously assigned to older workers would be redistributed in their weekly absences without hardship on younger employees. Measures guarding against such problems have been implemented on a case-by-case basis, according to program officials, and are described later in the section on Program Impact.

## PROGRAM PROVISIONS

The "Older Employees" program is outlined in a binding, written agreement between Pieroth management and workforce representatives. Program provisions apply only to those workers (approximately one-third of the total workforce) employed on fixed-hour schedules on the plant premises who are covered by collective bargaining. Thus, Pieroth sales personnel, top executives, and those employed in the field under individually negotiated contracts are excluded from the scheme. Participation is entirely voluntary but cannot be denied eligible employees.

### Job Security

The first element of the Pieroth scheme assures the company's older employees that their jobs and income levels will remain secure. Under the negotiated agreement, blue- and white-collar workers aged 50 years or older with 10 years of service to Pieroth are guaranteed continued employment and benefits despite any disability. If transferred to a lower-level position, the older employee continues to draw the wages or salary, bonuses and pay increases, and fringe benefits of the former, higher-level post. While workers do not have the right to refuse such a transfer, they can appeal the decision to the Workers Council which may request a medical assessment paid for by the company. Workers over age 55 with a decade of service cannot be terminated.

Pieroth has also agreed to set aside at least 10 percent of its jobs for older employees. These positions must be worked out in cooperation with the Workers Council and accounted for by the Personnel Services Department. Both groups are charged with responsibility for encouraging the hiring of older persons in jobs which utilize and reflect their skills and knowledge.

### Retirement Flexibility

The second component of the "Older Employees" program provides workers with some flexibility in determining when and how suddenly they must retire. Male employees (healthy or disabled) aged 60 and older and female employees aged 55 and older have the option of reducing their 40-hour workweeks by 5 hours (with 2½ hours paid). In the final year of work before pensionable retirement, older employees may shorten their workweeks by 10 hours (with 5 hours paid).

The company reviews each case to determine if a participant should be assigned to another job more suited to a shortened workweek schedule; but no changes have been necessary to date. Enrollees in the reduced-hour component of the plan cannot earn overtime pay because they work fewer than 40 hours per week–a possible disincentive to participation for some.

To maximize the retirement flexibility granted older workers, eligible employees may elect to work beyond the normal retirement age (65 for men, 60 for women) under individual contracts with the firm and at collectively-bargained wage rates. Participants may work until age 67, and even longer if the firm and Workers Council agree. At least 6 months before their normal retirement date, employees are invited to discuss the opportunities for continued employment with a representative from the Personnel Services Department.

Older employees who elect to retire early under the national social security scheme are eligible for rehiring one month later by Pieroth. If they receive early social security benefits, however, by law, they cannot work more than 80 hours per month if male, or 34 hours per month if female until they reach age 65 or 60 respectively.

### Retirement Preparation

The third element of the "Older Employees" plan at Pieroth, like the reduced workweek option, is designed to help reduce the trauma of abrupt and unplanned retirement for a worker. All employees eligible for the reduced-workweek plan are invited to participate with their spouses in periodic seminars on retirement preparation. Topics include the Pieroth phased retirement plan, medical and psychological aspects of aging, social security and pension regulations, retirement leisure activities, community resources, and nutrition.

Older employees choosing the reduced-workweek option are especially encouraged to attend the retirement seminars to insure that they devote some of their partially-paid leave to actual retirement planning. The seminars were originally scheduled monthly for Friday afternoons in order that all interested persons could participate. (Fixed hours at Pieroth are Monday-Thursday, 7:30 a.m.-5:00 p.m.; Friday, 7:30 a.m.-1:00 p.m.) Based on recent participant preferences, the monthly afternoon seminars have been changed to week-end seminars held once a quarter. Company officials and participants contend that more information and activities can be packed into the week-end sessions than into the afternoon seminars.

## PROGRAM IMPACT

The Office of Personnel Services at Pieroth is responsible for the administration and evaluation of the "Older Employees" program. While exact costs and benefits of the scheme for the company have not been documented, Pieroth personnel officials estimate that the corporate costs for each program participant total about 10 percent on average of the older worker's annual wages or salary. That figure represents overall costs for program administration, retraining of older workers for new jobs, lost productivity due to reduced workweeks, and job redistribution measures (new hires, overtime, etc.).

Managers report no difficulties in rescheduling or redesigning work assignments to accommodate the short-term absences of older employees phasing into retirement or to meet the physical needs of elderly workers who desire continued employment but cannot fulfill the demands of their previous jobs. Indeed, the reallocation of responsibilities has benefitted Pieroth. Duties once handled by older employees, upon careful review, may be eliminated, saving money and time; or redistributed among younger employees, contributing to valuable career development; or result in the creation of new jobs altogether.

The adaptive measures used by Pieroth to insure that the scheme benefitting older employees does not simultaneously disrupt company operation or lower non-participant morale are informally implemented. The phased retirement component is not linked with any structured training or apprenticeship program. Nor has the program resulted in any loss of prestige or status for those enrolled or generated conflict within the labor force. Occasionally, full-time employees must work overtime to fill production gaps created by the absent older employees, but Pieroth officials do not perceive this to be a serious problem for the company or the employees.

Of the 55 eligible employees who have voluntarily taken advantage of some part of the "Older Employees" program since its inception, 10 have participated in the reduced workweek plan and 34 more have attended the pre-retirement seminars. According to personnel managers at Pieroth, the participants in the phased scheme acknowledge that the gradual transition from full-time work to full-time leisure makes sense, and none have reversed their decisions to follow increasingly shorter schedules prior to retirement.

While older workers opting for the phased component suffer some reductions in wages and salary (15-20 DM/month on the average), their pension benefits are not affected by the partial loss in compensation. The company pension is computed on the full-time income earned by an employee prior to participation in the reduced workweek program. A pending proposal by the Workers Council would require the company to replace *all* wages and salary lost by phasing participants, not just half as it currently does. If accepted by Pieroth, this change would remove one possible financial disincentive to program participation.

Company executives contend that the program for older workers has profitted the firm by boosting the job motivation and job satisfaction levels of participants. Officials note that part of this may be due to Pieroth's policy allowing employees to work beyond normal retirement age. A number of the winery's older workers were once self-employed in small family farms and businesses and accumulated only a meager social security pension. By working "extra" years at Pieroth, these laborers not only can increase their eventual social security benefits but can earn a company pension on top of the government one.

## FUTURE

By negotiated contract, the "Older Employees" program at Pieroth may be cancelled by either the employer or labor with a three-year notice to employees. The positive experiences of both labor and management with the scheme, however, make such an event unlikely. In fact, the results have convinced Pieroth executives to expand–not simply continue–the program.

Discussions are now underway to lower the eligibility age for male participants in the program to age 58 or even 55 and to shorten the service requirements from 10 to 7 or even 5 years so that more employees can participate. As noted earlier, any increase in the present 50-percent replacement rate for income lost due to reduced workweeks can only encourage workers to select the phased retirement option. But even with any liberalization in eligibility and benefits, Pieroth officials do not anticipate oversubscription problems in the program for at least another fifteen years.

The winery maintains contact with area firms offering pre-retirement preparation courses. Eventually, Pieroth hopes to establish an exchange program whereby area employees can attend the retirement seminars offered not only by their own company, but by the other firms as well.

Pieroth's stable economic condition and the commitment of its president to progressive personnel policies forecast an ongoing program of retirement benefits for older employees. Both management and labor agree that such an objective can benefit worker and corporation.

**Program Contact:**

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# REEMTSMA

*"It is only natural that many improvements that result in social benefits for workers are financially hard for employers. . . .[The phased retirement plan] does offer several real advantages for the employer nonetheless. It makes it easier for the employer to assume responsibility for caring for older workers."*

*Helmut Glaubrecht*
*Personnel Director*
*H.F. & Ph.F. Reemtsma GmbH & Co.*

*"The phased retirement regulation is a very good plan in that it eliminates . . . the rigid age of retirement on one's birthday–an abrupt and arbitrary cessation of work. That eliminates a lot of problems."*

*Jürgen Priess*
*Member, Workers Council*
*H.F. & Ph.F. Reemtsma GmbH & Co.*

## OVERVIEW

The cigarette industry in the Federal Republic of Germany (FRG) comprises ten major manufacturers including the firm of H.F. & Ph.F. Reemtsma. These companies negotiate as a group with the trade union Nahrung-Genuss Gaststätten (NGG) to establish the general terms and conditions of employment for the nearly 17,000 workers in the German cigarette industry.

In 1977, union pressure for a 35-hour workweek collided with employer insistence that economic conditions prohibited such reductions. The resulting negotiations led to a nonbinding compromise giving significant retirement flexibility to older male workers at Reemtsma and six other cigarette companies each employing more than 100 persons. The agreement known as the Sonderregelung, which became effective in September 1978, allowed workers to retire early with 75 percent compensation or to work half-time at 100 percent compensation. In formal collective bargaining negotiations completed in July 1981, the Sonderregelung became a legally-binding policy for the industry, with provisions expanding eligibility to allow women and disabled workers to participate.

During on-site project interviews in May 1981, personnel and labor officials at Reemtsma and NGG provided substantial testimony and documentation regarding their experiences with the special retirement options in effect from 1978 to that time. Under these regulations, 65 of the 70 Reemtsma employees eligible in the Spring of 1981 for the "older worker" retirement program were participating, and 31 additional employees had been hired to replace them. Changes in eligibility agreed to several weeks later by the cigarette employers and NGG will mean many more workers are likely to participate in the future.

## HISTORICAL DEVELOPMENT

In the mid-seventies, the German cigarette industry entered a period of serious economic stagnation forcing some factory closings and layoffs. The introduction of highly-efficient machinery contributed to an additional loss of jobs for many workers. The industry trade union NGG was concerned not only about preserving jobs, but also enabling those who had been laid off to return to the labor force. In addition, the labor group wanted to reduce the mental and physical strain on older workers caused in part by the increasingly fast-paced technology and to ease their transition into retirement.

NGG proposals to shorten the 40-hour workweek to 35 hours for all workers with no loss in compensation had been resoundingly opposed by employers as financially and politically impossible. Subsequent union requests to reduce the workweek to 35 hours at age 55, and 30 hours at age 60 with no loss in salary or wages were similarly rejected. And finally in response to the cost issue, NGG suggested that reduced workweeks for older employees should be financed out of employer contributions currently paid to workers to help them buy property. But the employers opposed that idea as well, rejecting any scheme that would divert funds contributed on behalf of all workers to provide benefits for only a few.

To complicate the issue of reduced workweeks, both employers and union advocates, according to the NGG, realized that small businesses and labor-intensive firms might find such a plan very costly if borne by the employer. The additional hires that might be needed to cover for absent workers, the expense of job redesign to accommodate part-time schedules, and the extra costs of offering full compensation for part-time work were not insignificant financial matters for employers.

Between 1977 and 1978, NGG and representatives of the ten FRG cigarette companies, including Reemtsma, met and eventually hammered out a compromise agreement known as the Sonderregelung—a set of non-binding regulations offering retirement flexibility to older workers in firms with more than 100 employees. The policy took effect in September 1978.

The scheme allowed workers with ten years' service the option, upon reaching age 60 until the earliest time they could draw national social security insurance benefits, to terminate employment and receive 75 percent of their gross salary or to reduce their workweek to 20 hours and receive 100 percent of their pay. The employers also pledged in a 1978 memo to the NGG to maintain the same number of jobs within the industry by hiring new employees, trainees, or apprentices to replace those older workers who elected to leave the labor force—whether in part or in total—under the Sonderregelung.

Under the regulations, women were excluded from participation because they could retire and begin to draw government pension benefits at age 60, the entry age for the program. When first proposed in 1977, the program would have been available to disabled males until age 62, when they, too, became eligible for social security. But after the scheme became effective, the legal retirement age for disabled males was lowered to 60, excluding them from the plan as well. As a consequence, healthy males with a decade of service were the only direct beneficiaries in the cigarette industry Sonderregelung scheme.

In late 1979, NGG proposed in meetings with the employers group that this inequity be corrected. The employers association summarized NGG's arguments for such a change in a November 1979 memorandum to the management of its member companies—a document made available by Reemtsma. The union rationale for expanding the scheme, according to the employers, included the favorable impact of the regulations in shaping the work environment, the positive public relations resulting to the cigarette industry, and the lower participation rate than originally projected, allowing room for more people to enter the scheme.

According to the employers association, NGG suggested females and handicapped males be allowed to take advantage of the Sonderregelung benefits from age 58 to 60. Healthy males would still be eligible from age 60 to the age when first eligible for national social insurance.

The employers rejected these suggested changes, arguing in their 1979 memorandum to industry management that the special regulations were originally set up to alleviate unemployment (by moving younger workers into slots once held by older workers) and to help reduce the number of employees in the industry; but that by late 1979, and even more so in the future, the industry would need to think about retaining and even hiring employees. Furthermore, the employers argued that the predicted influx of workers into the phased retirement plan over the next few years [presumably due to an aging workforce], the growing number of employees declared disabled, and any future changes in the legal retirement age could drastically increase the program participation rate which would not be an inconsequential matter for the industry. And finally, the employers association maintained that it was just too early to evaluate the Sonderregelung program after only one year in operation.

In early 1980, Dr. Helmut Glaubrecht, a Senior Personnel Manager with Reemtsma, responded in a written memo (to a member of the Board of Directors) to a series of questions regarding the older worker provisions. In that document, and in our interview with him in May 1981, Dr. Glaubrecht noted that the conditions in the cigarette industry–its capital-intensive and highly mechanized nature–made the retirement options financially feasible for the employers. He observed, however, that the program may not be suitable for other types of companies, presumably ones that are labor-intensive or more dependent on manual labor. He indicated in his 1980 memo that because only half of those initially thought eligible to participate actually did so in the first year, resulting program costs were far lower than originally expected. But, as Dr. Glaubrecht noted in his memo, the experimental nature of the program and the employers' rejection in 1979 of any expansion in eligibility made the inclusion of the regulations in any binding contract, or even their continuation by informal agreement, an open question.

Not surprisingly, formal collective bargaining negotiations in 1981 between NGG and the cigarette employers re-opened the Sonderregelung issue. In July of that year, labor and management agreed to a legally-binding contract, providing all workers—men, women, and handicapped—with the same options for individual retirement decision-making. The compromise agreement allows any employee with 15 years of service to work 20 hours per week with no loss in pay or benefits, or to terminate employment with 6 months' notice and continue to receive 75 percent of gross pay. Either option is available during the 2 years prior to the older worker's eligibility for social security benefits.

## PROGRAM IMPLEMENTATION AND PARTICIPATION

As outlined above, the provisions of the Sonderregelung, in effect from September 1978 until July 1981, allowed healthy male workers in the cigarette industry and therefore, at Reemtsma to choose between two retirement options upon reaching age 60:

(A) Terminate employment but continue to receive 75 percent of gross salary, including the annual extra pay (equivalent of two months' wages or salary), or

(B) Reduce working hours to 20 per week but continue to receive full pay. Have option to move to (A).

Participants were permitted to remain in the program until they first became eligible for social security benefits (age 63 at the earliest for healthy males) but no later than age 65.

Women and disabled males, by virtue of their eligibility for national social insurance benefits at age 60, were not eligible to participate. Reemtsma managers at all levels were and still are unable to participate in the phased program for two reasons. One, they are not covered under the collective bargaining agreements with NGG. And two, under the terms of their individual contracts with the company, they must also retire at age 60. Under the Sonderregelung, eligible participants made up 2.1 percent of the total Reemtsma workforce of over 3,600 employees.

Personnel officials offered the following information regarding the administration of the Sonderregelung. Reemtsma employees choosing to participate in the retirement program can inform any one of the following: their immediate supervisors, the Personnel Office, or the Workers Council. Employees are informed about the options available to them through an in-house newspaper; and at the beginning of each year, every department also receives a list of those who will be eligible for the program. Supervisors are informed concerning the policies and legislation governing retirement issues and, in turn, are responsible for discussing them with all eligible workers.

Decisions to grant or deny participation in the scheme as well as the reduced-work schedules to be followed under Alternative B are matters which must be agreed to by three parties: employee, employer, and Workers Council. For example, if any part of this triumvirate vetoes a proposed work schedule under the reduced work-time provision, another one must be drafted that is agreeable to all parties. According to company personnel, the scheduling arrangements are very flexible and set up to meet the needs of the participant, the plant, and the remaining workers.

For example, Reemtsma may refuse to allow a sales representative to work half-time under the scheme unless the worker agrees to a job transfer from sales. Or the employee may choose one weekly schedule which the firm cannot accept. In one instance, the headquarters plumber wanted to take Alternative B—to work 20 hours a week at full pay—but the company wanted his services to be available full-time. Eventually, the employee, Workers Council, and employer agreed that the plumber would be on-call during his retirement-leave days away from the plant.

During May 1981, only five eligible Reemtsma workers were not participating in the program. Four were sales representatives with work schedules not adaptable to a shortened workweek. The fifth man had a young wife and small children which, according to company officials, compelled him psychologically to stay in the labor force full-time at full-pay.

Employees under either option must consent to be available for work on a temporary basis in emergencies (epidemics, etc.) when requested by the company in consultation with the Workers Council. No one is really considered "retired" under the scheme, even though they may have essentially terminated employment under Alternative A.

Since the program's implementation, participation rates across the industry rose from an initial 70.3 percent of all eligible employees to a high of 83.4 percent, and as of January 1, 1981, stood at 80.3 percent. The comparative popularity of the two Sonderregelung options has shifted during the program's brief history. Across the industry, participants choosing to continue work on reduced schedules under Alternative B have declined in number (from 66.1 to 53 percent) while those electing to terminate employment under Alternative A have grown (from 33.9 to 47 percent). Reemtsma officials attribute the shift to employee awareness that the financial disparity between the options is not very great due to the progressive income tax structure in the Federal Republic. (See section on Costs and Benefits for an extended explanation of the financial ramifications of Option A versus B.)

According to the cigarette employers association, a worker's choice of retirement option and his job level (blue-vs. white-collar) appear to be unrelated. Table 4 presents data on the number of eligible and actual participants, cumulatively and currently (as of January 1, 1981), in the retirement program as well as their option choice, work schedule, and job category for the seven companies (including Reemtsma) which offer the plan. Female workers were not eligible for the retirement program when these data were compiled.

Not surprisingly, production workers greatly outnumber program participants from the service and sales sectors and headquarters staff–probably a reflection of their proportionate number in the cigarette industry generally. (At Reemtsma, production workers represent 50.7 percent of total company personnel, with sales workers accounting for an additional 25.0 percent.) Three out of five workers in the industry choosing Option B–to reduce their working time in half while continuing to receive full pay–did so by working half-days.

## COSTS AND BENEFITS

### Corporate Perspective

The Sonderregelung has worked well according to employers, workers, and the NGG union representatives at the local and national levels. Program costs to the employers represent approximately 1 percent of all wages and salaries paid by the companies involved, according to figures supplied

## TABLE 4

## PARTICIPATION RATES IN THE FRG CIGARETTE INDUSTRY PROGRAM OF PHASED RETIREMENT BY ALTERNATIVE CHOICE, JOB LEVEL AND SECTOR, AND MODE OF WORK-HOUR REDUCTION

| | Number of Eligible Employees | | Number of Participants in Program | | Number of Current Participants | | | | Number of Current Participants | | | | Number of Option B Participants Working | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Option A | | Option B | | | | | | | | | |
| Firm | Since 9/78 | Current 1/81 | Since 9/78 | Current 1/81 | Blue Collar | White Collar | Blue Collar | White Collar | Production | Service | Sales | Hdqtrs. | Half-days | Half-weeks | 1 week on-off | longer on-off |
| Austria | 7 | 3 | 4 | 1 | | | | 1 | | | 1 | | | | | 1 |
| BAT | 72 | 46 | 54 | 38 | 11 | 8 | 11 | 8 | 18 | 9 | 5 | 6 | 14 | 1 | 4 | |
| Brinkman | 97 | 68 | 87 | 52 | 13 | 9 | 18 | 12 | 31 | 12 | 5 | 4 | 23 | | 7 | |
| Philip Morris | 18 | 12 | 18 | 12 | 4 | 3 | 2 | 3 | 12 | | | | | 1 | 3 | 1 |
| Reemtsma (as of 4/30/81) | 96<br>(106) | 66<br>(70) | 79<br>(84) | 60<br>(65) | 5<br>(8) | 15<br>(18) | 23<br>(24) | 17<br>(15) | 34<br>(36) | 7<br>(7) | 6<br>(8) | 13<br>(14) | 21 | 6 | 7 | 6 |
| Reynolds | 26 | 24 | 17 | 11 | 1 | 9 | 1 | 0 | 1 | 2 | 7 | 1 | | | 1 | |
| Roth-Handle | 14 | 9 | 14 | 9 | 6 | 2 | 1 | | 7 | | 2 | | 1 | | | |
| TOTAL | 330 | 228 | 273 | 183 | 40 | 46 | 56 | 41 | 103 | 30 | 26 | 24 | 59 | 8 | 22 | 8 |

by the cigarette employers association. The amount is only half of what the firms originally anticipated, primarily due to fewer eligible workers and lower participation rates than initially forecast.

Future program outlays for the employers, however, are expected to escalate. The aging of the industry workforce generally and the recent inclusion of women and handicapped males in the program may more than triple current participation rates, according to the employers group. As a result, and depending on the age profile of a given company, program costs to some firms may rise to 6 percent of all wage and salary expenditures.

Despite its costs, Reemtsma officials note that the Sonderregelung has enabled employers to meet their social obligation and responsibility for older employees in an "elegant way" without shortening the workweek for all staff to 35 hours. Program management is minimal though company personnel chiefs admit that, "In this house, there is nothing that is not administered in some way."

While lacking empirical evidence, company personnel officials believe the phased retirement program has beneficially relieved many older workers from the strain caused by the fast-paced automated machinery, without disrupting productivity. With the new contract provisions now in effect, Reemtsma will be studying the program impact on administrative productivity when women secretaries of top managers are eligible to participate for the first time. Officials expressed some concern that such highly trained and experienced staff will be difficult to replace on a full-time basis, should they elect to terminate employment under Alternative A, and difficult to substitute with part-time help, should they choose Alternative B.

The program has also helped open new jobs within the industry. Figures available from the cigarette employers groups show that in the first nine months of the retirement plan, 61 new full-time employees were hired to make up for the 43 older workers electing to terminate employment and the 78 workers choosing to reduce their schedules by half.

### Participant Perspective

For participants, although their gross income is markedly less under Alternative A (75 percent of that earned under B), the difference in take-home pay between Alternative B (which equals their current net pay) and Alternative A is not substantial, primarily due to the progressive income tax rates in the Federal Republic of Germany. In the FRG, those with higher incomes pay a higher percentage of their gross wages and salaries in taxes. Workers choosing to quit work and receive 75 percent of their former gross income under Alternative A thus pay less proportionally in taxes than those colleagues choosing to work half-time and retain 100 percent of their former pay under Alternative B. (Payroll deductions for social security, the company pension plan, unemployment compensation, and health insurance are fixed percentages of gross salary so the deductions are proportionally comparable under the two alternatives.)

To illustrate the relatively small difference between the options, workers formerly earning 2,000 DM/month in gross wages would have a monthly take-home pay after deductions and taxes of approximately 1,170 DM under Alternative A and 1,400 DM under Alternative B. Moreover, those opting to leave the workforce entirely under Alternative A would no longer incur work-related expenses (transportation, clothes, etc.), further equalizing the two options from a financial perspective.

The growing number of cigarette industry employees choosing Option A over B confirms perceptions of Reemtsma and NGG officials that the financial loss to those who terminate employment is not great enough to compel them to remain on the job even half-time. Personnel and labor representatives agree that Alternative B is more in keeping with a phased retirement concept, and they do not particularly applaud the increased popularity of Alternative A, though they understand why it is financially attractive.

Participants continuing to work half-time under Alternative B receive all statutory holidays and all paid vacation days granted full-time employees. All older workers participating in the Sonderregelung program are prohibited from entering outside employment, and they must be available for emergency work on the request of the company.

In retirement, the company pension is almost identical for workers under either alternative. Their social security stipends will differ slightly because the benefits are based on one's salary in relation to all workers' salaries for each work year. The more one earns, the more one pays into the social security system, and eventually the more one receives in benefits (up to a universal ceiling). Because those choosing Alternative A earn less than those under Alternative B in gross wages and salaries, they contribute less during their last few working years, and their final social security benefits are slightly less.

## FUTURE

The full impact of the most recent changes in eligibility guidelines on participation rates and costs of the older employee program will probably not be known for a few years. There are sizeable blocks of workers, however, approaching eligibility for the program. In 1980, Reemtsma personnel statistics indicated that among 3,658 total employees, 1,272 were between 41 and 50 years old, and 982 (including 317 women) were between 51 and 60 years old. Of these employees, only 5.5 percent were classified as managers and thus ineligible to participate in the program.

The predicted influx of workers into these retirement plans brings both advantages and disadvantages for Reemtsma. According to personnel officials and the Workers Council, as employees grow older, they often experience greater difficulty in operating the fast-paced automated machinery in the plants. In that the program relieves these workers from some or all production strains, it will continue to be beneficial to them.

While some firms might be anxious to retain seasoned workers due to anticipated labor shortages later this century, Reemtsma personnel officials contend that the exit of more workers (namely women and disabled males) earlier than they formerly were allowed to leave the company will not adversely affect the company's labor supply. The reason is simple: in the last decade, the German cigarette industry has trained many more apprentices than it now needs as one way to ease the current youth unemployment rate. These trainees can eventually replace the increasing number of older workers who elect to participate in the retirement program.

Both labor and management agree that program costs will escalate in the future, but each responds differently to that phenomenon. In our discussions, Professor Ernst Zander, a member of the Reemtsma Board of Directors, contended that the scheme may become too expensive unless it is modified in some way. Jürgen Priess of the company's Workers Council disagreed, arguing that future cost increases need not result in benefit reductions for the workers. The cost issue is likely to be a continuing one.

For now, the program eligibility changes allow greater equity among all workers in the benefits they receive—something both management and labor agree is only fair. Any subsequent legislative changes in the national retirement age will be incorporated into the scheme when it is next negotiated in 1985.

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# REEMTSMA "SONDERREGELUNG" PROVISIONS

## SPECIAL CONTRACT

## ALTERNATIVE A

H.F. & Ph.F. Reemtsma Company
and
Mr./Ms. XYZ,
on the basis of the Special Regulations for Older Employees in the Cigarette Industry of June 8, 1978, agree to the following Special Contract valid as of (date):

### I

A) Mr./Ms. XYZ shall take advantage of the option of release from employment in accordance with Alternative A of the above-mentioned Special Regulations.

The release from employment shall take effect as of (date).

B) Mr./Ms. XYZ remains in the employment of the Reemtsma Company. He/She declares that he/she shall be available temporarily for employment in certain emergencies upon request of the Company after prior consultation with the Workers Council.

C) Mr./Ms. XYZ shall not take up employment for supplementary income during the period of time covered by this contract or shall, if he/she does so, obtain written consent from the Company.

### II

A) For the duration of his/her release from employment, Mr./Ms. XYZ shall receive a payment of 75% of his/her former gross income. The former gross income shall be defined as the monthly wages or salaries according to collective bargaining or individual contracts, including bonuses paid on a regular basis as well as a once-a-year bonus in the amount of one month's income ("13. Monatsgehalt") and the employer's contribution to the equity-building program ("Vermögensbildung").

These payments shall change in accordance with the changes in wages and salaries of all full-time employees with the Reemtsma Company (e.g., increases in contracts).

B) For the duration of a possible temporary employment, Mr./Ms. XYZ shall receive the full amount of the gross income (rather than the payment specified in I-B).

C) Free cigarettes will be made available under established regulations, providing there are no objections raised by the federal fiscal authorities regarding the tax-exempt status of this benefit.

D) The calculations of the Company retirement benefits shall be based upon an assumed full-time employment and payment for the duration of the release from employment.

## III

A) In accordance with the procedures established for full-time employees, Mr./Ms. XYZ shall notify the Reemtsma Company of any incapacitating illness and supply a doctor's statement to that effect.

B) The regulations of the General Guidelines for Employment Contracts ("Manteltarifvertrag") shall apply to the period of the illness.

## IV

The release from employment cancels the employee's rights for paid leave.

## V

A) Contract of employment ends without notification at that point when Mr./Ms. XYZ gets a pension from the legislated pension insurance, regardless of whether eligible for Company pension, disability pension, or supplementary payments of any kind from Social Security.

B) Upon the Company's request, Mr./Ms. XYZ shall submit records concerning the status of his/her retirement plans and/or Social Security entitlements to the state or federal Social Security office in charge; he/she shall notify the Company immediately of any applications for retirement and/or Social Security benefits.

VI

A) This contract shall not alter or render invalid collective bargaining agreements or legal regulations governing cancellation of employment contracts and cancellation of employment for special reasons.

B) Mr./Ms. XYZ has been advised that his/her violating the provisions of this Contract, especially his/her duties according to Sections IB, IIIA, and V, may justify dismissal.

(Date) (Signatures)

## SPECIAL CONTRACT
## ALTERNATIVE B

H.F. & Ph.F. Reemtsma Company
and
Mr./Ms. XYZ,
on the basis of the Special Regulations for Older Employees in the Cigarette Industry of June 8, 1978, agree to the following Special Contract valid as of (date):

I

A) Mr./Ms. XYZ shall take advantage of the option of reduced working hours in accordance with Alternative B of the above-mentioned Special Regulations.

B) Mr./Ms. XYZ shall be employed as a (e.g., packer) as of (date) for (approximately) 20 hours/week.

His/Her working hours shall be four hours/day.

His/Her working hours shall be scheduled on Monday/Wednesday/Friday, or Tuesday/Wednesday/Thursday, or Monday through Wednesday, or Wednesday through Friday, or (individual schedule).

His/her working hours shall be scheduled in such a way that he/she shall work every other week/every other month.

C) Mr./Ms. XYZ has agreed to work beyond the number of working hours specified in B) should certain emergencies arise in the Company. The Company may request such temporary services after prior consultation with the Workers Council. Additional working hours shall be reimbursed by the same amount of additional work-free time within the ensuing three months.

D) Mr./Ms. XYZ shall not take up employment for supplementary income during the period of time covered by this contract or shall, if he/she does so, obtain written consent from the Company.

## II

A) Under this Contract, Mr./Ms. XYZ shall receive the full amount of his/her former gross income.

B) Free cigarettes will be made available under established regulations, providing there are no objections raised by the federal fiscal authorities regarding the tax-exempt status of this benefit.

## III

A) In accordance with the procedures established for full-time employees, Mr./Ms. XYZ shall notify the Reemtsma Company of any incapacitating illness and supply a doctor's statement to that effect even if the illness should occur during work-free periods.

B) The regulations of the General Guidelines for Employment Contracts ("Manteltarifvertrag") shall apply to the period of the illness.

## IV

The amount of leave specified in the MTV is halved in accordance with work-free days.

## V

A) This Employment Contract shall be deemed cancelled without formal notification as of the day on which Mr./Ms.

XYZ shall be entitled to retirement and Social Security benefits of any kind, regardless of eligibility for other pension income. In any case, this Special Contract shall be rendered invalid as of that day.

He/She expressly declares his/her consent to this provision.

B) Upon the Company's request, Mr./Ms. XYZ shall submit records concerning the status of his/her retirement plans and/or Social Security entitlements to the state or federal Social Security office in charge: he/she shall notify the Company immediately of any applications for retirement and/or Social Security benefits.

## VI

A) This Contract shall not alter or render invalid collective bargaining agreements or legal regulations governing cancellation of employment contracts and cancellation of employment for special reasons.

B) Mr./Ms. XYZ has been advised that his/her violating the provisions of this Contract, especially his/her duties according to Sections I-D, III-A, and V, may justify dismissal.

(Date) (Signatures)

# OLD-AGE SPARE-TIME PROVISIONS IN THE GERMAN BREWERY INDUSTRY

The trade union Nahrung-Genuss Gaststätten (NGG) represents 250,000 of the 450,000 workers in the cigarette, beverage, and food stuffs industries in the Federal Republic of Germany, including employees at Reemtsma and Pieroth. The union has been particularly active in its efforts to achieve shorter workweeks for older employees, and the phased retirement schemes implemented by Pieroth and within the cigarette industry are considered model plans by NGG.

The concept of "gliding retirement" is a critical item on the union's negotiating agenda, but NGG has not always been able to institute plans that provide weekly reductions (with either full or partial compensation) in working time. According to the former advisor on collective bargaining policy to the NGG Board of Directors, Helmut Prasse, the Sonderregelung agreement providing reduced workweeks for older employees in the cigarette industry (see Reemtsma case study) was seen as a dangerous precedent by the umbrella association of German employers and one to be rejected by other industries.

As a feasible compromise, NGG successfully negotiated a slightly different retirement benefit plan for older employees in the brewery industry within several FRG states. Called "old-age spare-time" schemes, the plans typically provide an extra 28 days paid leave to workers aged 60 years and older with 10 years service, and an extra 2 days leave to workers 50 years and older. The mode for taking the extra leave is determined on an individual company basis, and subject to employer approval. The leave may be taken in a single block of days off, saved and accumulated to allow an earlier retirement date, or divided into smaller segments to reduce an older employee's monthly working time. (By German law, all workers receive a minimum of 18 paid vacation days annually; but many union contracts specify 30 vacation days for employees covered by the agreements.)

The "old-age spare-time" policy was first included in the NGG's general contract guidelines in 1978. As of January 18, 1982, according to the union, a total of 100 tariff contracts covering 430,000 employees provide time-off for older workers. Since their introduction, these extra-leave benefits have been used by 82 percent of those eligible in the cigarette industry; 89 percent in the brewing industry; and 100 percent in the sugar, candy, and milling industry.

A report published by the NGG in December 1980, and made available to the study team, evaluated the impact of the old-age spare-time policy after one year in operation. Workers Councils in 102 companies were surveyed regarding their experiences with the provisions. Of the 49 Councils responding, 35 represented companies offering the leave benefits for older workers.

Within the 35 participating companies, 193 older workers took advantage of the extended leave policy in 1979. Though no employee eligible for the benefit was denied it, not all older workers took advantage of the paid leave. Eligible employees represented 2.1 percent while actual participants made up 1.48 percent of the total labor force of 13,033 workers in the responding companies.

The NGG survey indicated that spare-time participants generally work in transportation, sales, maintenance, and related areas. Because production workers frequently retire before reaching age 60, few become eligible for the extended leave privileges. Women and disabled males also are generally denied the benefits because of their normal retirement at age 60 (when first eligible to collect social security). The Workers Councils expressed dissatisfaction that many workers were effectively barred from enjoying the leave benefits by virtue of their retirement ages.

Representatives from the surveyed Workers Councils reported high satisfaction with the old-age spare-time policy, particularly because the extra leave offers older workers needed relief from increasingly stressful job situations and the opportunity to prepare for retirement. The NGG study noted a positive relationship between the use of the benefit and the physical health and well-being of the participants as measured by decreased use of sick leave.

According to the union paper, the leave policy has yet to impact significantly on unemployment in the German brewery industry in which every fifth job has been eliminated since 1967. While NGG assumes that for every eight employees in the scheme, one new person must be hired, the experiences of the companies surveyed suggest that only those firms in which a relatively high number of employees (15-28) took advantage of the scheme resorted to additional hires.

The breweries reported using a variety of measures to compensate for the reductions in working time by older employees, some using multiple means of compensation.

| *Compensation Measure* | *Number of Companies Using Measure* |
|---|---|
| Increased workload for other employees | 10 |
| Overtime | 9 |
| Temporary employees | 9 |
| Hires (full-time, part-time) | 6 |
| Increased workload for participants | 4 |
| No substitution | 3 |
| Work left undone | 2 |
| Job redistribution | 2 |
| Reserve personnel | 2 |
| Rationalization | 1 |

The NGG report noted that few breweries have reserve personnel on hand, accounting for the low usage rate in that compensation category.

Further NGG interviews with representatives of eight Workers Councils generated some additional information evaluating the spare-time provision. These Councils reported that any problems with the leave policy for older workers were usually resolved smoothly on a departmental basis, with minimal repercussions on personnel and work situations. The only issue necessitating discussion revolved around whether older workers should be granted their extra leave during preferred travel times for all workers (June, July, August). The only drawback of the benefit cited by interviewed workers may be in the additional work demands such leaves create for younger colleagues.

Overall evaluations of the old-age leave policy by all Workers Councils responding to the NGG study were quite favorable. Of the 45 Councils rating the program, 20 viewed it as very positive, 18 termed it positive, and 5 agreed it had positive aspects. Only 2 Councils evaluated the policy negatively.

According to NGG policymaker Prasse, the experiences of Workers Councils and companies in implementing and adhering to the spare-time provisions for older employees in the brewery industry reported in 1979 have not changed markedly since that time. While the scheme, according to the NGG, does not meet the needs of older workers as adequately as the Pieroth and cigarette industry plans which allow daily or weekly work-hour reductions, the old-age spare-time plan of extended leave is nonetheless a good step towards humanizing the work environment in the German brewery industry.

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# FRANCE

If the number of firms cited in the available literature as offering company-sponsored phased retirement plans is any guide, then France certainly occupies a leading place among European nations in the development of such schemes. The transition retirement programs instituted over the last two decades by individual French companies are diverse and innovative.

In assessing the opportunities for phased retirement worldwide, Charlotte Nusberg wrote in a background paper for the International Federation of Ageing in November 1980, "French industries have experimented the most widely with such progressive decreases in hours worked and with considerable success" (p. 8). And West German labor economist Dr. Bernhard Teriet, in discussing transition retirement programs which are neither "anachronistic or irresponsible," observed in a July 1978 article in *Personnel Journal,* "The French approaches to gliding retirement are initiated chiefly on a private basis by certain enterprises, most of whom are trying different models" (p. 368).

But the efforts of French companies to provide their workers with a gradual transition from full-time work to full-time retirement have been seriously affected by the expansion in 1977 of a national agreement between the major employers' federation (C.N.P.F.) and the labor unions offering a "guarantee of resources" to older workers (private sector only) who leave the labor force early. In focusing on French programs for phased retirement, this national "guarantee" cannot be ignored.

Since 1972, workers over age 60 who are dismissed from their jobs for economic reasons have been eligible for special unemployment benefits equal to 70 percent of their last gross salary. In 1977, this agreement was extended to those workers over age 60 who resign voluntarily from their jobs and agree to retire completely. Benefits under these agreements continue until participants reach full pensionable age at 65, provided they remain out of the labor force, and are adjusted twice a year for cost-of-living increases.

The national "guarantee of resources," according to Odile Proust, Chief of the Committee for Social and Economic Development in Enterprise, was designed originally to meet two objectives. First, by allowing older workers to retire early, the government and unions hoped to reduce high unemployment among the young who could then be hired to fill vacancies created directly or indirectly by retiring workers. Second, the scheme was seen as one way of reducing costly absenteeism among French workers over age 50. Labor surveys had indicated that the highest absenteeism levels were among those under age 25 (35 for women) and over age 50, except in firms with programs permitting older workers to retire early or to ease into retirement through work-hour reductions. Proust noted in interviews with the research team that measures which can possibly reduce unexcused absenteeism are very attractive in a nation where two million people are away from work on any given day, amounting to 200 million lost work days annually (excluding those due to illness, accident, or maternity leave). The national guarantee seemed a less costly alternative to continued high unemployment among the youth and above average absenteeism among the aging.

According to a 1980 report by the Commission of the European Communities, nearly 30 percent of potential beneficiaries took advantage of the guarantee of resources for early retirement in 1978 alone. In fact, according to U.S. Social Security Administration analyst Lois Copeland, French government estimates in 1980 indicate that 1 out of every 2 workers covered by the general social security system claims an old-age pension prior to age 65. Needless to say, the impact on the phased retirement programs offered by private-sector firms has been decisive.

Officials at G.A.M.F., Laboratoires Boiron, and U.T.A. observed in interviews or correspondence with the project research team that participation rates in their phasing programs dropped significantly as a result of the national "guarantee." (See case studies which follow.) Reduced work-hours even at full-time wage and salary levels are not as attractive to workers as the "guarantee." As the various personnel directors explained, the government scheme provides a generous stipend to workers who retire completely after age 60—an allowance which after taxes, does not differ markedly from their former net income earned by working full-time.

Researcher Armand Braun, France's Institute de l'Enterprise also offered some historical perspective on the impact of the guarantee in discussions with the study team. Noted Braun, "Before we had the guarantee, retirement preparation was very fashionable. Since the guarantee, people are more interested in having the opportunity to leave their jobs early without losing too much income . . . they take the money first and see what will happen later in retirement."

In 1980, the National Foundation of Gerontology in Paris began a study of French phased retirement programs. Paul Paillat, Scientific Advisor to the Foundation and Head of the Social Demography Department at the National Institute for Population Studies, provided the following assessment to the project research team concerning the impact of the national guarantee-of-resources on such retirement plans:

> *Unemployment is spreading in almost all regions and economic branches and in order to offer more jobs for the young adults, pre-retirement allowances are given to workers aged 60 (and often 56 or 58 according to specific cases) who are dismissed or even who resign. In legal terms, it is* **not** *a transition retirement but an income maintenance system: beneficiaries are being granted allowances the total of which amount to 70 percent of their latest wages until age 65, provided they don't work. At age 65, they become normal retirees and their income decreases slightly. Such a system is run according to collective bargaining processes and is viewed as a supplement to State Unemployment benefits. In common language, however, it is called improperly "pre-retirement." Some 400,000 men and women are concerned and this number is increasing without the younger ones getting jobs.*

In October 1980, the Department of Labor, Health, and Social Security requested the French Supreme Administrative Court to explore ways to ease the abruptness of the move from work to retirement, an indication that some branches of government may be seeking changes in or alternatives to the current national policies affecting older workers and retirement entry. The process will be an interesting one to observe.

The three case studies which follow—those of two pharmaceutical manufacturing companies (Laboratoires Boiron and Laboratoires Delalande) and an insurance firm (G.A.M.F.)—present additional evidence regarding the impact of the national scheme on individual company programs for phased retirement. They also highlight the costs and benefits of such schemes to the organizations which sponsor them and to the workers who participate in them. Two additional French firms—an air cargo company (U.T.A.) and a home construction firm (Groupe Maison Familiale)—which could not be included in the on-site investigations, provided written summaries of their phased retirement programs which follow the formal case studies. One pioneer in the development of a corporate phased retirement program—Gillette France—declined to participate in the study due to the company's decision to eliminate its program following changes in the government's retirement scheme (see below).

## POSTSCRIPT

The retirement policy situation in France has changed dramatically in the months following the NCAWP on-site research and the writing of the above country profile. In September 1981, the government announced a massive multi-step plan to reduce unemployment in the country by creating 150,000 jobs in 1982. Under so-called "solidarity contracts," employers who implement shorter workweeks and recruit priority job-seekers as a result are eligible to receive partial-to-full exemptions on employer contributions to social security for the new workers for a specific time.

Firms may also enter into solidarity contracts in 1982 which offer subsidized early retirement or phased retirement opportunities to employees aged 55 to 60. (Currently, traditional pensionable age for both men and women in France is 65, with provisions for claiming actuarily reduced benefits as early as age 60.) Under the early-retirement solidarity contracts, employees who retire before age 60 are entitled to a guaranteed *taxable* income paid by the state and equal to 70 percent of their average gross pay. The stipend is conditional upon their replacement by the end of 1983 (not necessarily with the same job) by a priority job seeker. Priority placements include persons under age 26, female single parents, or unemployed workers. From age 60 to 65, the guaranteed income benefit under this program, which is adjusted twice annually, continues but is treated as a *tax-exempt* pension. The early-retirement solidarity provisions will continue until the state pensionable age is lowered to age 60 in April 1983 (see later section). Workers entering the early-retirement solidarity program prior to that date will continue to receive the 70-percent stipend until they reach age

65. Given the changes in benefit levels under social security scheduled to take effect in April 1983, the early-retirement solidarity plan provides older workers with yet another financial incentive to leave the labor force prematurely.

Under the phased-retirement solidarity provisions of the government plan, older workers aged 55 to 60 who agree to work half-time and who are consequently replaced by a priority job-seeker (on a part-time or job-shared basis) are also eligible for a state benefit. The participating older workers continue to receive 50 percent of their regular wages and salaries from their employer, plus an additional 30 percent of their regular pay in the form of a state stipend.

The May 1982 issue of *Industrial Relations-Europe* (p. 5) reported that by the end of April 1982, 1,847 French firms had signed solidarity contracts with the state and an additional 3,282 had applied to do so. Of those already signed up, 93 percent had chosen to offer their employees the early-retirement options, opening up an estimated 29,000 jobs, while only a "handful" of companies had decided to shorten their workweeks in an effort to free jobs.

The financial benefits to firms signing the early-retirement solidarity agreements are multiple but indirect. According to the April 1982 issue of *European Industrial Relations Review*, the contracts enable companies to offer government-financed early-retirement programs. That allows firms to lower their overall age profiles and thus reduce the seniority outlays to older workers. Moreover, according to U.S. Social Security Administration analyst Copeland in a 1982 interview, the solidarity plans allow firms to circumvent the costly and difficult procedures involved in layoffs.

The national guarantee-of-resources implemented in 1977 and described earlier in the country profile will continue to be available to workers (aged 60 to 65) who retire voluntarily until its expiration on March 31, 1983. Beginning April 1, 1983, workers with 37.5 credit years will be permitted to retire at age 60 and receive 50 percent of their former gross wages—the maximum social security benefit available after that date. (That same replacement rate is currently not available to most workers until age 65, with exceptions made earlier for long service, women with children, or arduous labor.) With the 1983 change, workers with fewer than 37.5 credit years will be able to retire from age 60 to 65 with proportionally reduced replacement benefits. Workers retiring at age 65 or later, regardless of their credited years, will receive the maximum social security benefit equalling 50 percent of their former gross pay.

These social security changes scheduled to begin in April 1983 will effectively reduce the normal retirement age in France to age 60 for most older workers because all incentives for extending work lives will have been removed. When the new system is implemented, workers will also face a retirement test for the first time: they will not be allowed to collect a state pension and continue to work for the same employer. And even if they change jobs, if their income exceeds a minimum level, they and their new employers will have to contribute to the state unemployment fund at rates tied to the financial needs of the fund. Such tests and contributions will further reduce any incentives for working past age 60 to increase one's retirement income or for hiring older workers. The French government, according to Copeland, is urging that private pension plans now adopt benefit regulations and retirement provisions conforming to the new social security structure. If private plans to not do so voluntarily, observed Copeland, the government may mandate their change.

National debate over these recent adjustments in policy–the solidarity agreements and the eventual replacement of the national guarantee-of-resources by the revised social security provisions–continues in France. According to Copeland, some unions and employers groups are now questioning if workers will be better off financially under the new systems; if private pension funds can afford to offer full benefits at age 60; and if declining industries will simply collapse with the unanticipated exit of their older skilled labor pool from the workforce. The debate is likely to continue and the impact on the unemployment picture nationally remains unclear. The changes will certainly necessitate, however, that private-sector phased retirement programs be adjusted in light of the solidarity contracts, if signed by a sponsoring firm. The U.T.A. is already considering such revisions, while Gillette France has simply eliminated its phasing program.

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# GROUPE D'ASSURANCES MUTUELLES DE FRANCE (G.A.M.F.)

*"Concern over costs is typically American. Time is money. . . . The [phased retirement] program does cost us because the salary is the same and the work time is less. Of course, it is good from the worker perspective. . . . We want to maintain a good climate in the company, to be innovative, and socially responsible."*

*Francois Habert*
*Personnel Director*
*G.A.M.F.*

## PROFILE

One-hundred and fifteen years ago, the first G.A.M.F. insurance policy was written in Paris. Today, this French company employs 1,445 people in Chartres and Paris and maintains 900 independent agents throughout the country.

Since 1972, workers aged 60 and above with 15 years service have been eligible for a company-initiated phased retirement program. The plan allows participants to reduce the length of their working week gradually from 5 to 3½ days in the 5 years preceding mandatory full retirement at age 65. Workers remain fully compensated despite the reductions in their working time.

Considered innovative when instituted, the impact of the G.A.M.F. plan has been reduced somewhat by an early-out company plan started in 1976 which allowed full-time workers to terminate employment at age 60 and receive 75 percent of their former pay until age 65 and by a similar early-retirement government program introduced in 1978 which effectively replaced the company's efforts. Nonetheless, the firm remains convinced of the value of the phased retirement scheme and has no plan to alter it in any way. Personnel Director Francois Habert and his assistant J.M. Landry responded to questions posed by the study research team in on-site interviews in May 1981.

## PROGRAM DEVELOPMENT AND IMPLEMENTATION

In 1972, the G.A.M.F. Board of Directors charged the company Personnel Department to develop a plan whereby older workers could better prepare for retirement through a gradual reduction of worktime in their last years with the insurance firm. Personnel Director Habert designed such a program which drew the full support of the Board.

Management then presented the scheme to company employees and union representatives who also approved the provisions and urged their full and immediate implementation. (Seventy percent of the firm's workforce belongs to the French Confederation of Democratic Laborers.) According to Habert, employees offered no resistance to the plan and expressed no apprehension about its purpose. The phased retirement program was not intended nor has it ever been used to push older employees out of the labor force, noted Habert. In fact, no G.A.M.F. employee has ever been laid off.

Reactions of managers to the proposed phased retirement plan were also generally positive. Habert observed that although the program has forced managers to organize work assignments more efficiently due to the periodic absences of older employees, the concurrent rise in computerized equipment at G.A.M.F. has made it possible for work to be completed without additional hires. Many tasks done in the past with paper and pencil are now processed by machine, reducing the overall hours needed for labor.

## PROGRAM PROVISIONS AND PARTICIPATION

The G.A.M.F. transition retirement program is open to any worker 60 years or older with 15 years service to the company. Field agents are not governed by company personnel policies and as such are not eligible for the phased retirement benefits.

If a husband and wife have each worked for G.A.M.F. for 35 years and have been married for 15 years, both may enter the transition program when one reaches the eligible age. The age requirement is waived for the younger spouse in order that both may enjoy the increased leisure time together.

The graduated work-hour reductions are made according to the following schedule:

| *Year* | *Paid Absence Allowed From Work* |
|---|---|
| 60-61 | ½ day per week |
| 61-62 | ½ day per week and an additional ½ day every 2 weeks |
| 62-63 | 1 day per week |
| 63-64 | 1 day per week and an additional ½ day every 2 weeks |
| 64-65 | 1½ days per week |

Participants in the phased retirement program continue to receive all benefits provided full-time workers—full salaries, all vacation days (5 weeks annually), sick leave, health insurance, and social security and company pension credits. According to company personnel, there are no financial disincentives in the program itself.

The tracking system for insuring that participants work the requisite number of hours weekly is simplified by a recording system which automatically computes the hours worked by every employee each day. All employees are permitted to work overtime one week, banking the extra hours in order to work fewer hours the next week.

Participation in the phased retirement program has never been especially high due to the age distribution of the G.A.M.F. workforce—the mean age of the staff in Chartres is 29 and in Paris, 30 years old. Only 6.6 percent of all employees are currently eligible for the program.

But of the employees who have been eligible to participate since the program began in 1972, approximately 90 percent have taken advantage of the benefits. Such figures convince company personnel officers that the program is seen as worthwhile by soon-to-be retiring employees.

The program has lost popularity among workers, however, with the advent of the early retirement schemes offered first by G.A.M.F. and then by the French government. Although program participants continue to receive 100 percent of their gross salaries, regular payroll deductions totalling 12-13 percent for social security, unemployment insurance, health benefits, and pension fund contributions reduce their take-home pay considerably. After taxes, the actual compensation received by program participants is nearly equal to the amount of the stipend they would receive if they retired early at age 60–an option available to them and described below.

Under the early retirement scheme offered by G.A.M.F. from 1976 until 1978, workers leaving the firm at age 60 received 75 percent of their former income. The government's national guarantee-of-resources plan implemented in 1978 eliminated the need for the G.A.M.F. early-out scheme. Under the national plan, early retirees receive 70 percent of their previous salary from a special unemployment compensation fund, and the company adds a 5-15 percent supplement depending on the employee's length of service. Neither the government stipend nor the company supplement is taxed; and combined, they come close to equalling the net income after deductions and taxes received by workers in the firm's phased retirement scheme. Thus, there is no financial incentive to continue working beyond age 60.

If employees opt to retire early under the national plan, they receive a written assurance from G.A.M.F. that if the government scheme is suspended or discontinued, they will be permitted to enter the company's phased retirement program until they reach mandatory retirement at 65. (The national program must be renewed every two years under current law.)

According to Personnel Manager Habert, the choice between the national guarantee-of-resources and the G.A.M.F. progressive retirement program is a matter of individual personality more than anything else. Those who like to work will do so full-time until age 65 or will opt to participate in the company's work-hour reduction program.

Both managers and non-supervisory employees participate in the G.A.M.F. phased retirement program by relinquishing some job responsibilities as their workweeks shorten. Computerization in the industry and within the company has helped offset the loss in production from program participants, and younger employees also absorb some of the assignments once assumed by their older colleagues.

Program participants are not prohibited from working outside the company during their increased leisure time, but G.A.M.F. officials see such work as a "contradiction of the program purpose" of helping workers prepare for retirement. According to company policy, any worker with more than 15 years service in the same job is released from all performance appraisals for work in that capacity; and consequently, annual job reviews are waived for most program participants.

## PROGRAM EVALUATION: COSTS AND BENEFITS

From the corporate perspective, the costs of the phased retirement program overall are declining because of declining enrollments. Workers increasingly choose to retire early before becoming eligible for the plan. While there are program costs in that wages are paid for non-work time, company officials attest that the outlays are minimal when compared to overall payroll costs.

The benefits to G.A.M.F. in maintaining the program relate primarily to a corporate sense of social responsibility. The program was implemented out of a sense of concern for employees who typically devote their entire working careers to the firm, especially in Chartres where staff turnover is extremely low. While they have no empirical evidence to confirm their impressions, personnel administrators Habert and Landry believe the phased retirement program is achieving its objective for participants–to help them ease into retirement–and in so doing, the program has helped promote a good climate within the firm. According to Habert, participants also have a lower rate of absenteeism than younger, non-participants, which is an added benefit for the organization.

The shortened workweeks of participants have not proved problematical for the company in scheduling work assignments: production lines are maintained and managed without major difficulty. In fact, enrollees are not the only G.A.M.F. staff with reduced hours. The firm employs more than 65 part-time employees who generally work four days with Wednesdays free due to the mid-week school holiday in France.

## FUTURE

While the business growth rate for G.A.M.F. has been stable over the past few years, company officials are unsure about the impact of the 1981 elections which returned the socialist coalition to power in France. The sluggish economy, high unemployment, and general difficulties for the insurance industry are variables which may or may not change in the coming year.

In 1980, employees requested through the union that those workers on the verge of entering the national guarantee-of-resources plan be allowed to enter the G.A.M.F. retirement scheme early—to be given ½ day off a week from age 59 to 60. The company refused to grant the request, pending resolution of government plans; but personnel officials cannot predict what demands labor will present to employers over the next few years or what changes the government will make in policies affecting workers.

For now, G.A.M.F. is happy with its phased retirement program. The scheme costs the firm little; is not difficult to administer; and if the 1980 union request to extend its provisions to even younger workers is any indication of labor support, it is a program that benefits participants, too.

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# LABORATOIRES BOIRON

*"Abrupt retirement has an ill effect physiologically and financially. To avoid that, the firm has put in place a system to favor sweetness in retirement."*

*Laboratoires Boiron*

*"The advantages to the firm in having a phased retirement program? What is good for workers is good for the company and what is good for the company is good for workers."*

*Rene Aulagner*
*Personnel Director*
*Laboratoires Boiron*

## PROFILE

Laboratoires Boiron, headquartered in Lyon, France, is a rapidly expanding pharmaceutical laboratory specializing in homeopathic medicines. Its 850 employees, including 67 managers, work in the company research, production, and administration center in Lyon and in 12 distribution offices across France. Though the firm is fifty years old, its growth in staff (10-15 percent new hires since 1967) and sales (doubling every 3 years since 1971) has been fairly recent.

Since January 1977, Boiron has offered a phased retirement program for workers aged 60 and older with 5 years company service. Eligible employees may gradually reduce their weekly hours from full-time to half-time in the years preceding mandatory retirement at 65, with no loss in compensation and benefits. Participating Boiron employees, regardless of job level, are thus better able to prepare for "a new way of life" without "abrupt retirement and with no loss in resources."

## PROGRAM PROVISIONS:
## DEVELOPMENT AND IMPLEMENTATION

In late 1976, the Board of Directors for the Laboratoires

Boiron and the firm's personnel executives drafted a proposed program designed to benefit older workers by providing them with a means of leaving the labor force gradually without reducing their incomes. The plan was presented to the Committee of the Enterprise–a 6-member group elected by the employees to present their interests in the administration of the Laboratoires–which wholeheartedly endorsed it. (By French law, all firms with 50 or more employees must have such a Committee with size proportionate to the workforce.)

Labor and management agree, according to Boiron executives interviewed by the research team, that the phased retirement scheme benefits older employees. Four out of five Laboratoires staff members are women who in their later years want to spend more time with their aging spouses and at home tending to their households. The transition plan is particularly helpful to these employees.

The final provisions agreed to by the company and the Committee of the Enterprise allow workers 60 years or older with 5 years service to shorten their workweeks with no loss in salary according to the following schedule:

| *Age* | *Work-Time Reduction* |
|---|---|
| 60-61 | 10 percent |
| 61-62 | 20 percent |
| 62-63 | 30 percent |
| 63-64 | 40 percent |
| 64-65 | 50 percent |

In order that participants can become accustomed to the increased time away from work gradually, reductions in work time must be taken in half-day segments on a weekly basis rather than in monthly or yearly blocks, and are fixed cooperatively by the participant and immediate supervisor. Under the program, employees cannot work fewer than 20 hours a week. Eligible employees may enter the program at any time and are awarded the work-hour reductions according to their age. If entering the scheme at age 64, for instance, one would receive the same 50 percent reduction in work hours as a 64-year-old colleague who entered the plan three years earlier.

Participants continue to receive all full-time compensation and benefits due them from Boiron, including a normal retirement pension. They are not permitted to work overtime or outside the Laboratoires, and their pre-retirement leave benefits are suspended during vacations, holidays, and general company leaves. Although not part of the retirement preparation program, all Boiron workers receive one paid vacation day for every five years of service, in addition to the standard 5 weeks of paid vacation awarded all company employees.

Information regarding the Boiron phased retirement plan is made available to all new hires. Company personnel administrators note that this is the only formal program notice but they observe that "in France, workers are very aware of every little benefit they can get." Those choosing to enter the scheme must submit a written pledge to their department heads requesting the phased retirement option and agreeing to abide by the program provisions. (See sample contract following Boiron case study.) Once approved by the supervisors in question, requests are forwarded to the Personnel Department for processing. Pledges must be submitted two months in advance of the date the employee becomes eligible for and elects to begin exercising the reduced workweek option.

All employees–managerial and rank-and-file–meeting the age and service requirements may take advantage of the program benefits. While enrollees are not forced to reduce their workloads or job responsibilities or to transfer to other jobs, they do so voluntarily according to company officials. Participating employees acknowledge that the work-hour reductions make it impossible to continue meeting their company commitments fully. In the case of managers, remaining work is handled by assistants who routinely assume departmental responsibilities when managers are absent for any reason (travel, illness, vacation, pre-retirement leave). Any work left undone by non-supervisory employees is absorbed by younger colleagues.

The part-time schedules of participating employees are not troublesome for the Laboratoires. Indeed, the firm already employs over 50 part-time workers, including many mothers who remain at home on Wednesdays (a weekly school holiday in France) to care for their children and who often work shorter days the rest of the week than full-time employees.

## PROGRAM IMPACT: COSTS AND BENEFITS

Because relatively few members of the Boiron Laboratoires labor force currently participate in the phased retirement program, the costs for the scheme are low. Table 5 provides data on the number of participants, their percentage of the total workforce, and the costs of the program in relation to overall salary outlays for Boiron.

### TABLE 5

### PARTICIPATION RATES AND PROGRAM COSTS FOR THE LABORATOIRES BOIRON RETIREMENT PREPARATION PROGRAM FOR 1977-1981

| Year | Number of Participants | Percentage of Participants to Total Workforce | Percentage of Salaries Paid Program Participants for Non-Work Time to Total Boiron Salary Expenditures |
|---|---|---|---|
| 1977 | 16 | 2.37 | 1.01 |
| 1978 | 17 | 2.39 | 1.02 |
| 1979 | 8 | 1.05 | 0.38 |
| 1980 | 6 | 0.74 | 0.16 |
| 1981 | 8 | 1.00 | 0.13 |

The reasons for the low participation rates in the retirement preparation program and the drop in enrollment after 1978 are two-fold. First the Boiron staff is quite young: the average age in 1980 was 33 years with 60 percent of employees between the ages of 21 and 35. Thus, most workers are not eligible for the scheme.

Second, of those reaching the 60-year threshold for entry into the program since 1978, most have chosen instead to retire early under the French national guarantee-of-resources plan implemented in that year. Under the government program, workers with 37.5 years service who agree to retire completely at age 60 (or later if they need additional service years) can collect special unemployment compensation benefits equal to 70 percent of their gross income (approximately 85 percent of net pay) until they reach pensionable age at 65.

Participation rates for Boiron employees under the company plan and the national plan indicate that a majority of

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older workers prefer to retire early with some income loss than to maintain full-income levels and continue working part-time. While they understand the employee's financial rationale for entering the national guarantee-of-resources scheme, company personnel officials believe the company retirement preparation plan has definite merit for those workers who want to continue working past age 60.

The corporate costs of the program for Boiron are considered negligible and declining, and consist primarily of salaries paid for non-work time (3,240 hours in 1979; 2,073 hours in 1980). Workflow patterns are established in advance in a cooperative arrangement between managers and participants and do not differ markedly from those set up for other part-time workers or those on maternity leave, according to company officials.

## FUTURE

When asked why the Laboratoires Boiron continues to maintain a retirement preparation program which attracts so few employees at this time, personnel administrators advised our research team that once a benefit is granted to workers in France, the company cannot withdraw it easily. But beyond the commitment of Boiron to keeping the program, company executives are keenly aware that the national guarantee-of-resources may not be renewed indefinitely (it is reviewed every two years). They predict that with the aging of their young workforce and with changes in government policy over the next decade or so, employees will want to participate in the phased retirement plan at some point in the future.

Despite low participation rates now, the purpose of the plan–to help employees prepare for retirement without economic loss–remains sound, and the company has no plans to change a program which it considers beneficial.

**Program Contact:**

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France

## LABORATOIRES BOIRON

## BUSINESS AGREEMENT OF DECEMBER 17, 1976

### Optional Plan Of Preparation For Retirement

To facilitate the passage from professional activity to retirement, beginning January 1, 1977, Laboratoires Boiron is creating an optional plan of preparation for retirement, consisting of a progressive reduction in the length of the workweek.

### I. Beneficiaries

This plan is available to all wage earners of Laboratoires Boiron who are

–at least 60 years of age,

–have a minimum of 5 years of service,

–work more than 20 hours a week and have no paid activity other than that performed at Laboratoires Boiron,

–pledge in a binding written agreement to retire at the age of 65.

### II. Content

A. As soon as this plan is put into effect, the workweek of the concerned party will be reduced to a maximum of 40 hours, all overtime being definitely ruled out.

B. The workweek of the concerned party, having thus been brought to a maximum of 40 hours, will be further reduced by:

–10% from age 60 to 61,

–20% from age 61 to 62,

–30% from age 62 to 63,

–40% from age 63 to 64,

–50% from age 64 to 65,

so long as these reductions do not effectively reduce the workweek to less than 20 hours.

C. The periods of non-work brought about by these reductions are to be taken each week in half-days, on dates to be determined by official authorities, in agreement with the concerned parties.

D. The application of this plan is suspended during periods of leave or absence, whatever the cause may be.

E. The periods of non-work will be fully remunerated (with deduction, should the occasion arise, of payment provided by sick leave plans) and treated as work time, in particular, for the calculation of entitlement to paid holidays, end-of-the-year bonuses and vacation time.

In exception to the above principle, these periods of non-work will not be compensated for persons who collect a retirement benefit elsewhere.

F. The wage earner expressly agrees not to engage in any remunerated activity whatever during this period of non-work.

III. Methods of Application

A. The conditions of age and service specified above are considered as having been fulfilled on the first day of the month in which the requisite date falls.

B. The option and written pledge of the wage earner must indicate whether or not he receives benefits from a retirement system and must reach the company at least

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two months before the implementation of the preparation for retirement, on a printed form, a sample of which is annexed to this agreement.

C. The wage earner who will complete the necessary length of service only after the age of 60 will benefit from the plan two months after his option and his written pledge, under the same conditions as wage earners of his age who exercised their choice at age 60, but with neither retroactivity nor penalty.

D. In the same manner, the wage earner who has fulfilled the necessary conditions but who chooses the phased retirement program late will benefit from the plan two months after his option and his written pledge, under the same conditions as wage earners of his age who exercised their choice at age 60, his late decision bringing neither retroactivity nor penalty.

E. Since the pledge to retire is irreversible, the wage earner who has opted for the plan will be removed from the workforce of the company, at the latest, by the last day of the quarter during which he will attain 65 years of age. Special temporary provisions are however provided as follows for wage earners who were past 64 years of age on January 1, 1977.

## IV. Temporary Measures

Wage earners who were past 64 years of age on January 1, 1977, will, until June 30, 1977, be able to opt for the retirement preparation (phased retirement) under the general conditions outlined above, but must obligate themselves irrevocably to retire one year after the implementation of their preparation (or at the latest on the last day of the quarter in which this date falls).

## V. Sanctions

The wage earner who, contrary to his obligations, devotes any part of his non-working time to remunerated activity (or non-remunerated activity for persons benefitting in another way from the benefits of a retirement system) or who, contrary to his written declarations, collects benefits from a retirement system, will forfeit all rights under the present plan. Laboratoires Boiron reserves the right, moreover, to terminate his contract for serious offense.

## VI. Time Period, Publication

The present accord, established without limitation as to the time period, will be effective beginning January 1, 1977. Laboratoires Boiron expressly reserves the right to modify the present plan after any modification of the general retirement plan and in particular in case of a lowering of the legal retirement age (set at 65 at the time of signature of the persons present).

It will be brought to the attention of personnel through posting, annexed to the text of the Company Internal Code, sent to the Labor Inspectors and filed with the competent Conciliation Boards.

Done at Sainte-Foy-Les-Lyon
December 17, 1976

The titular members of the
Committee of the Enterprise

R. Farge
A. Simonin
C. Beranger
A. Martin
G. Dobo
G. Taree

For Laboratoires Boiron
The President Director-General

Jean Boiron

# OPTION FOR THE PLAN OF PREPARATION FOR RETIREMENT

Established by the Business Agreement of December 17, 1976

## LABORATOIRES BOIRON

I, the undersigned ______________________________

living at ______________________________

declare that I have been informed of the conditions of the retirement preparation plan annexed to the Internal Code of LABORATOIRES BOIRON, and opt for this plan,

with implementation beginning at (1) ____________________

pledge to conform to all provisions of this plan and to retire at the latest on (2) ______________________________.

I declare that: (3) ______________________________

– I do collect benefits from a retirement system,
– I do not collect benefits from a retirement system.

Done at ____________________
On ____________________
Signature ____________________

(1) An interval of two months must separate the application from the implementation.

(2) The last day of the quarter during which age 65 is attained.

(3) Strike the clause which does not apply.

# LABORATOIRES DELALANDE

*"Our phased retirement program was implemented in 1972 to help our people prepare for their leisure years, but the young age of the Laboratoires' workforce and the financially attractive early-retirement plan instituted by the government in 1978 combine to keep participation rates in the progressive scheme low. Because corresponding program costs are also low, we see no need to alter the program now . . . I do think the transition plan is a good thing and would even like to improve it someday."*

*J.C. Pomaret*
*President*
*Laboratoires Delalande*

## PROFILE

The Laboratoires Delalande, located in the Paris suburb of Courbevoie, manufacture pharmaceutical, veterinary, cosmetic, and chemical products. The French company is part of an international corporation Delalande which also maintains firms in Belgium, Brazil, Italy, and the United States (Frances Denney in the U.S.). Though the international Delalande holdings are jointly operated, the various firms are relatively autonomous and can implement personnel policies suited to the unique needs of each company.

Since 1972, all Laboratoires Delalande employees have been eligible for a voluntary progressive retirement scheme granting them 10, 20, and 30 days extra leave in their 62nd, 63rd, and 64th years. In 1978, in response to employee requests and changing company conditions, the Laboratoires implemented a second extra-leave program for all personnel from age 55 until their entry into the phased retirement plan or until their retirement, whichever comes earlier. The plans are available to the 200 employees in the Laboratoires research unit, the 200 persons employed in production, and the 150 medical salespeople who market the company products to hospitals and physicians throughout France.

## PROGRAM DEVELOPMENT

According to company President Director General J.C. Pomaret, the progressive retirement scheme initiated in 1972 was the idea of the firm's president at that time. His intent was social—to improve the lives of people close to retirement age and to help them prepare for life after active participation in the labor force. Economic difficulties for the company in the mid-to-late seventies forced the firm to reduce its labor force, and thus the phased retirement program also served to reduce the number of employees reporting to work at any one time.

The genesis of the extra-leave plan for workers 55 and older came in a request from employees for a fifth week of paid vacation leave, in addition to the four weeks already granted them. As a compromise, the company offered to increase gradually the number of supplementary leave days for older employees as they approached age 62. The workers agreed to the plan which became effective in 1978.

## PROGRAM PROVISIONS

According to company personnel policy, all staff from age 55 on are eligible to receive supplementary paid leave distributed as follows:

| *Year* | *Number of Extra Leave Days* |
|---|---|
| 55-56 | 1 |
| 56-57 | 2 |
| 57-58 | 3 |
| 58-59 | 4 |
| 59-60 | 5 |
| 60-61 | 6 |
| 61-62 | 8 |

Participants in the extra-leave program are considered full-time employees and continue to receive all wages, salaries, and benefits. At the 62nd year, all workers are free to remain in the extra-leave program (which would continue to award them 8 extra paid leave days annually until retirement) or to enter the progressive retirement plan.

Under the progressive retirement program, workers are allotted additional "open-work" days distributed as follows:

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| *Year* | *Open-Work Days* |
|---|---|
| 62-63 | 10 |
| 63-64 | 20 |
| 64-65 | 30 |

The open-work days are fully paid and awarded in addition to the five weeks of paid vacation which workers already receive at this age (four weeks of regular vacation plus eight extra-leave days earned by the 62nd year). There is no mandatory retirement age at Delalande, but no worker has chosen to work past age 65.

Participants in the progressive retirement program are considered to be full-time workers and continue to receive full compensation and benefits granted other employees, with one exception. During the phased retirement period, enrollees in the program are eligible only for cost-of-living pay increases and not for any other form of pay increase (merit raise, etc.).

Although 62 is the earliest age at which workers can opt for progressive retirement, the number of open-work days granted to participants in this transition scheme is based on length of time in the program, not on age. Thus, a person choosing to postpone entry into the progressive retirement program until age 63 would receive ten extra-leave days that year and twenty in the last year. Similarly, a worker entering the program at age 64 would get ten additional days of leave, not the thirty days awarded someone of the same age who entered the program at age 62.

To insure that personnel and production schedules are not disrupted by the progressive retirement program, all employees opting for the benefit must inform the Personnel Department of their decisions to take the phased retirement leave at least one month prior to the birthdates when their benefits can officially begin. Participants must also indicate how they intend to take the leave during the coming year—a decision which remains fixed for the following twelve months. Working time reductions are permitted on a daily, weekly, monthly, or yearly basis. Each year the process is repeated—participants alert the Personnel Office of their decision to utilize the program and the manner chosen for reducing their worktime.

According to Pomaret, employer and union assume joint responsibility for informing workers about both extra-leave and progressive retirement programs. Policies governing these schemes are also outlined in documents available to all employees.

## PROGRAM PARTICIPATION

Participation in the progressive retirement program at Delalande has been sharply curtailed by the government-sponsored guarantee-of-resources (see France country profile, pp. 123-129). The financial appeal of the national scheme, which pays workers approximately 85 percent of their former net income if they retire fully at age 60, has convinced many workers at the Laboratoires to retire before they are even eligible for the company's phased retirement program which begins at age 62.

While all 57 Delalande employees eligible for the extra-leave plan in 1981 participated in it (10.5 percent of the total workforce), only 3 employees were eligible for the progressive retirement program that year and none elected to take advantage of it. In fact, only a dozen workers since 1978 have remained with the firm past age 62 to even become eligible for the plan. Of these 12, eight enrolled in the progressive retirement plan.

Although there are certainly more Delalande workers in the 55-62 age category and thus eligible for the extra-leave program than in the 62-65 age bracket for the phased retirement scheme, company officials attribute the real difference in participation rates between the two options to the advent and popularity of the government's national guarantee-of-resources which effectively pulls workers into voluntary early retirement. Most employees using the firm's leave programs are in the administrative sector of the Laboratoires. Production workers are typically much younger and therefore ineligible to participate in either plan.

## PROGRAM EVALUATION: COSTS AND BENEFITS

The relatively small numbers of workers involved in the leave programs, especially in the progressive retirement plan, make it difficult, according to the company personnel administrators, to evaluate the impact of the programs on the company or on the individual participants. The Laboratoires have experienced no difficulties in managing the programs nor have they seen any decline in productivity due to the extended absences of participating employees.

Because participation rates are low, the programs are not expensive for the company to maintain at present. But as President Pomaret observed, if the standard workweek is shortened by the government, personnel costs would greatly increase for Delalande and could force the company to reassess its commitment to the older-worker schemes. According to the progressive retirement policy guidelines, any change in the normal retirement age from age 65 will result in corresponding changes in the program benefits, but "the most favorable provisions possible will accrue to the employees."

According to program officials, the costs to participants are minimal while the leave benefits are very generous. Aside from the restriction limiting salary increases to cost-of-living raises for participants in the phased retirement program, workers continue to receive full salaries, full benefits, and full contributions to social security and company pension plans as full-time Delalande employees. While there are no regulations prohibiting outside employment during the extra leave time, the company is unaware of any participants using their increased leisure in this way.

## FUTURE

While sales are increasing for the Laboratoires Delalande, they are not growing at a rate that can sustain the current labor force indefinitely, observe company personnel officials. Additional layoffs are anticipated in the production unit, which is staffed primarily by younger workers.

By drawing many older employees into voluntary early retirement, the national guarantee of resources has eased the pressure on the firm to terminate employees. The guarantee has also helped keep the costs of the older-worker leave programs low because potential participants often retire before they can take advantage of the company schemes. For this reason, the policies continue to be seen as low-cost/high-benefit programs for the firm and the employee. In fact, President Pomaret would like to expand the program although specific modifications will depend on economic fluctuations in France and within the Laboratoires Delalande.

**Program Contact:**

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France

# GROUPE MAISON FAMILIALE

*Company:* Groupe Maison Familiale
*Location:* Cambrai, France
*Type of Industry:* Home Builders
*Number of Employees:* 2,678
*Unionized:* Yes
*Program Initiated By:* Collective Bargaining
*Date Implemented:* 1974
*Program Contact:* Mr. Philippe Algan
Director
Human Relations Division
Group Maison Familiale
Avenue du Cateau
59 400 Cambrai
France

## PROGRAM SUMMARY

The French construction company Groupe Maison Familiale offers its employees aged 60 and older with 15 years service the opportunity to reduce the length of the workweek on a progressive basis. The plan's reduction schedule is:

| *Age* | *Reduction* |
|---|---|
| 60-61 years | 4 hours per week |
| 61-62 years | 6 hours per week |
| 62-63 years | 8 hours per week |
| 63-64 years | 10 hours per week |
| 64-65 years | 12 hours per week |

In addition to these reductions, female employees receive a supplemental reduction of 2 hours per week (although the company provided no explanation for this extra benefit).

The Groupe Maison Familiale retirement plan was established through collective bargaining out of a sense of social responsibility for older workers. Currently, only 1.5 percent of the workforce is even eligible for the benefit; and there are no participants at this time.

# UNION DE TRANSPORTS AERIENS

| | |
|---|---|
| *Company:* | Union De Transports Aeriens (U.T.A.) |
| *Location:* | Puteaux, France |
| *Type of Industry:* | Airlines |
| *Number of Employees:* | 7,123 |
| *Unionized:* | Yes |
| *Program Initiated By:* | Employer and Union |
| *Date Implemented:* | 1978 |
| *Program Contact:* | Mr. Gilbert Sacoman<br>Chief of Personnel Compensation<br>U.T.A.<br>50 rue Arago<br>92806 Puteaux<br>Code DASJ/GSO<br>France |

## PROGRAM SUMMARY

Ground staff of the French airlines U.T.A. become eligible for participation in the company's phased retirement program upon reaching age 60 and completing 10 years of service with the firm. The plan allows workers to ease from full-time work to full-time retirement through gradual reductions in weekly hours. The normal workweek at U.T.A. is 40 hours, but it is reduced for program participants according to the following schedule:

| *Age* | *Weekly Work Hours* |
|---|---|
| 60 | 34 |
| 61 | 30 |
| 62 | 26 |
| 63 | 22 |
| 64 | 20 |

Wage and compensation levels for enrollees in the phased retirement program vary depending on age and grade level. These levels are summarized in the following table:

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## TABLE 6

### PERCENTAGE OF FORMER FULL-TIME GROSS SALARIES RECEIVED BY U.T.A. PROGRAM PARTICIPANTS BY AGE AND GRADE

| Grade | Percentage of Gross Salaries | | | | |
|---|---|---|---|---|---|
| | Age | | | | |
| | 60 | 61 | 62 | 63 | 64 |
| 2-6 | 95 | 90 | 90 | 90 | 90 |
| 7 | 95 | 90 | 85 | 85 | 85 |
| 8 | 95 | 90 | 85 | 82.5 | 82.5 |
| 9 | 95 | 90 | 85 | 80 | 80 |
| Managers | 95 | 90 | 85 | 80 | 80 |

Participation in the U.T.A. plan has been limited due to the financial appeal of the government's "national guarantee of resources" which has encouraged many older workers to retire at age 60. (See country profile on France, pp. 123-129, for an explanation of the state retirement plan.)

With the advent of legislation which would effectively lower the retirement age in France to age 60, U.T.A. is considering lowering the eligibility age for its phased retirement plan to age 55, applicable either to the entire workforce or to select categories of personnel (women, shift workers, etc.). Currently, only 0.7 percent of the U.T.A. labor force is eligible for phased retirement. If the entry age is changed to 55, 6.8 percent of the ground staff would become eligible, increasing participation considerably.

# SWEDEN

Phased retirement is a nationwide program in Sweden. Formally implemented in 1976 by legislative mandate, the Partial Pension Insurance Act allows gainfully employed individuals between age 60 and 65 to reduce their workweeks in the years preceding full retirement if part-time employment is available. Participants continue to receive compensation for time still on the job, but they are also entitled to an employer-financed pension equal to 50 percent (formerly 65 percent) of the earnings lost due to their voluntary cutback in hours. The legislation also lowered the standard retirement age from 67 to 65, and broadened provisions allowing Swedish workers to start drawing their old-age pension from age 60 (with prorated reductions in the benefit level) or to postpone drawing it until age 70 (with corresponding increases in the pension).

## HISTORICAL SYNOPSIS

The partial pension idea was first proposed in 1973 by the Congress of the Swedish Metal Workers Union, then the largest labor group in the country and now second in size only to the organization of municipal employees. Union members and leadership alike were concerned that abrupt entry into retirement at an arbitrary age created serious social, psychological, and physiological problems for employees. Many workers in the metal industry were also in arduous jobs which often left them physically disabled and unable to enjoy their retirement. In order to minimize the debilitating effects of heavy labor on aging workers and to cushion the shock of sudden withdrawal from the labor force, the Metalworkers Congress directed a union committee to explore ways in which older individuals could move gradually from full-time work to full-time retirement with some adaptability to their own needs.

The resulting union recommendations for more flexible retirement through a partial pension/part-time work arrangement received the support of Sweden's Social Minister who convened a Pension Commission to investigate the concept. According to Henry Karlsson, the First Secretary of the Metal Workers Union and an early proponent of the partial pension plan, the state Pension Commission members–who represented government, labor, and employers–were uniformly interested in alleviating the trauma of abrupt retirement and in stemming the rise in disability pensions in Sweden in the early seventies; but they were also concerned about any impact such a program would have on the labor market, the feasibility of job sharing by partial pensioners, and the consequences of reduced work time on productivity. In interviews with the project research team in May 1981, Karlsson recalled that while the Commission unanimously endorsed the partial pension concept, it recommended that the program be implemented through labor-management negotiations and not by state legislative reform.

The Swedish Employers Confederation (SAF) also preferred that the proposed phased retirement program be instituted through collective bargaining rather than by legislation. According to Inge Svensson, SAF consultant on social insurance, the employers group believed that negotiated policies would provide essential flexibility within the workplace which would be lost if the scheme were made uniform by law. However, the Metal Workers Union and the LO, an umbrella organization representing 24 national blue-collar unions and 2 million Swedish workers, disagreed. Hakan Walander, Head of Social Policy for LO, noted in discussions with the interview team that the trade unions believed the partial pension reform was too meaningful not to be based in legislation. In the end, the labor position prevailed, and the Partial Pension Insurance Act became law in 1975, to take effect on July 1, 1976.

## PROGRAM PROVISIONS

Under the national plan, persons between ages 60 and 65 with 10 years of work after age 45 and 5 months of gainful employment in the immediate past year are eligible for a partial pension if they agree to reduce their workweeks by at least 5 hours but not below 17 hours on the average. Participants continue to draw pay for hours still on the job, but they also receive a monthly partial pension reimbursing them for part of the gross earnings lost in the change to part-time work.

When first instituted, the partial pension replaced 65 percent of the gross income lost and when coupled with the remaining part-time wages, provided recipients with 85-90 percent of their previous net income. The unexpected popularity of the program, which over time attracted more participants thereby increasing its costs, necessitated a number of changes to insure some financial solvency for the scheme.

A Retrenchment Bill (passed in December 1980) changed the compensation replacement level from 65 to 50 percent of lost gross earnings for individuals applying for the pension after January 1, 1981. With the lower rate, participants can now expect to receive about 80 percent of their former take-home pay when their partial pension and wages are combined.

From 1976-80, the partial pension benefit was also adjusted regularly to changes in the consumer price index, thus protecting the pension from inflation. Since January 1, 1981, however, energy costs and indirect taxes have been excluded from the index in computing the pension. The change is expected to weaken the capacity of the benefit to keep pace with inflation but to restrain the costs of the plan overall.

And finally, the scheme is financed by employer contributions amounting to a percentage of gross wages and salaries. Under the original legislation passed in 1975, the payroll tax was set at 0.25 percent; but because of the high participation levels, the rate was increased to 0.50 percent in 1980. The payroll tax was extended to self-employed persons in 1980 and legislative changes that same year also made these persons eligible to participate in the phased retirement plan.

## PROGRAM PARTICIPATION

Enrollment in the national transition retirement plan has grown steadily since its implementation on July 1, 1976. In the first month, there were just over 3,000 partial pensioners; but by April 1981, the number had swelled to more than 68,000. Data from the National Social Insurance Board show how the scheme has grown from inception through March 1982 (Table 7).

Currently about 30 percent of those Swedish workers eligible for the benefit choose to participate in the plan. The jump in the number of partial pensioners in December 1980 as indicated in Table 7 can be attributed to workers wanting to take advantage of the 65 percent replacement rate before it

## TABLE 7
## TOTAL NUMBER OF PARTICIPANTS AND NUMBER OF SELF-EMPLOYED PARTICIPANTS IN THE SWEDISH PARTIAL PENSION PROGRAM
## (1976-1982)

| Year | Month | Total Number of Partial Pensioners | Number of Self-Employed Partial Pensioners Within Total Number of Pensioners |
|---|---|---|---|
| 1976 | July | 3,054 | |
| 1977 | January | 18,058 | |
| | July | 25,574 | |
| 1978 | January | 33,424 | |
| | July | 37,854 | |
| 1979 | January | 43,635 | |
| | July | 45,993 | |
| 1980 | January | 50,534 | 177 |
| | July | 55,265 | 1,312 |
| | August | 56,510 | 1,400 |
| | September | 58,091 | 1,511 |
| | October | 59,200 | 1,616 |
| | November | 60,690 | 1,718 |
| | December | 67,829 | 1,950 |
| 1981 | January | 68,532 | 2,082 |
| | February | 69,021 | 2,329 |
| | March | 68,656 | 2,436 |
| | April | 68,218 | 2,496 |
| | May | 67,736 | 2,530 |
| | June | 67,056 | 2,555 |
| | July | 66,049 | 2,554 |
| | August | 65,827 | 2,565 |
| | September | 65,624 | 2,564 |
| | October | 65,346 | 2,565 |
| | November | 64,954 | 2,561 |
| | December | 64,030 | 2,563 |
| 1982 | January | 64,675 | 2,581 |
| | February | 64,591 | 2,581 |
| | March | 65,889 | 2,572 |

was reduced to 50 percent in January 1981, but the subsequent participation figures for 1981-82 suggest that program enrollment may be stabilizing or even declining slightly. Not only is the entry of new pensioners now balanced by the exit of retiring participants, but the reduced benefits may be deterring some new applicants.

The National Social Insurance Board (the central agency administering the partial pension program) and the University of Stockholm have been involved in a joint project to evaluate the impact of the plan on participants and employers. The surveys undertaken in the project indicate some patterns in the participation and utilization of the phased retirement scheme. Researcher Göran Crona summarized the results in a 1981 paper presented to the International Congress of Gerontology, and in an article in *Aging and Work* (Spring 1980).

The studies show that a great majority of partial pensioners reduce their work input from full-time to half-time, that only three percent reduce their hours more than once, and that most choose to alternate their weeks on and off the job. Crona reports that "changes of occupation or work tasks in connection with partial retirement are very unusual" and that "both employer and employee find it convenient for the partial pensioners to remain on their old job," but "a change or revision of duties may be necessary when senior staff functions are concerned" (1980, p. 118). The national surveys further indicate that utilization levels are high in the manufacturing, accounting, clerical, and commercial sectors. Women comprise about 30 percent of the partial pensioners.

Case studies conducted in 1977 by the Board and University of 28 diverse workplaces using the partial pension plan generate additional conclusions regarding the use and implementation of the Swedish phased retirement program. Crona reports that "firms with a high rate of partial retirement exhibit one or more of the following characteristics: they are privately owned, belong to the commodity-manufacturing sector and therefore are often subject to cyclical fluctuations, reduced their personnel strength in 1976, and have a large proportion of employees between ages 60 and 64" (1981, p. 7). Furthermore, Crona concludes, "It seems fairly clear that partial retirement serves as one of several means of shedding surplus personnel" (1981, p. 7).

## PROGRAM COSTS AND BENEFITS

### Partial Pensioner Perspective

Participation rates in the partial pension plan in Sweden suggest that many older workers find the scheme beneficial, but financial costs to the individual in terms of net earnings do vary depending on income levels. SAF Information Officer Birgitta Sandström-Eriksson provided the project research team with data (see Table 8) comparing the income losses incurred by workers with differing incomes when shifting from full-time work to half-time work under the partial pension using a 50 percent replacement rate.

## TABLE 8

### COMPARISON OF BEFORE- AND AFTER-TAX INCOME BETWEEN FULL-TIME AND HALF-TIME WORKERS WITH THE PARTIAL PENSION

(figures represent Swedish krona)

| Income of a Full-Time Worker | | Income of a Half-Time Worker With Partial Pension | | | | |
|---|---|---|---|---|---|---|
| | | | | Combined Earnings | | |
| Before Taxes | After Taxes | Income From Work + | Partial Pension | Before Taxes | After Taxes | Percent of Full-Time Income After Taxes |
| 40,000 | 29,400 | 20,000 | 10,000 | 30,000 | 22,900 | 78 |
| 50,000 | 36,000 | 25,000 | 12,500 | 37,500 | 27,800 | 77 |
| 60,000 | 41,500 | 30,000 | 15,000 | 45,000 | 33,000 | 80 |
| 75,000 | 48,200 | 37,500 | 18,750 | 56,300 | 39,600 | 82 |
| 100,000 | 57,200 | 50,000 | 25,000 | 75,000 | 48,200 | 84 |

Not only are replacement levels greater for those in higher-income brackets (up to a benefit ceiling) under the partial pension plan, but according to LO social policy chief Walander, reductions in the benefit replacement level are more costly to blue-collar workers than to their white-collar and managerial counterparts who have access to other pension sources.

Regardless of the disparity in the benefit levels, a 1979 study reported by Crona comparing the standard of living among partial pensioners, disability pensioners, and full-time employees aged 62-64 found that a majority of partial pensioners find the loss of net income "imperceptible . . . in the sense of producing a noticeable change in their household expenditure." But Crona further observed that the change in the pension replacement rate from 65 to 50 percent in 1981 and the failure of post-1980 benefit adjustments to account for rising energy costs may "have a powerful restraining influence on interest in partial pensions" (1981, p. 21).

When examining the non-financial impact of the Swedish partial pension plan, the National Social Insurance Board and

University of Stockholm studies found that participants regard their increased leisure as the most important aspect of the benefit program, and indicators (use of sick leave, etc.) suggest that health may decline more slowly among these part-time workers than among disabled pensioners or full-time employees in the same age category. Crona notes that program enrollees reported improvements more often than not in the "duties and liberty at work," but more deterioration than improvement in "influence at work and information about the workplace." As Crona noted, "One important conclusion is that the *overall* effect of partial retirement on the living conditions of the individual appears to be mainly positive and to imply greater welfare. No serious negative effects can be established" (1981, pp. 15-16).

## Employer Perspective

Although the Swedish Employers Confederation would have preferred that the partial pension scheme be implemented through collective bargaining agreement, SAF has encouraged its 37,000 member companies to arrange for part-time work opportunities in order that older employees can take advantage of the plan. According to SAF social-insurance consultant Svensson, when the partial pension law took effect in 1976, many Swedish companies were suffering economic difficulties. The phased retirement scheme offered management a smooth, voluntary, and mutually beneficial way to reduce personnel and work time. As Crona notes, "Firms have been able to accommodate numerous applications for partial pensions because they often need to reduce their volume of work."

In explaining employer acceptance of the partial pension scheme, LO social policy head Walander posits that many companies may value the gradual retirement plan as a less costly alternative to the payment of full disability benefits to older workers. In a parallel vein, Crona suggests that the phased retirement option reduces the "risk of employment dropouts and health problems" and adds "it is relatively uncommon for persons on partial pension to be retired on disability pensions" (1981, p. 20).

SAF and LO representatives agree that the partial pension plan has been implemented with minimal problems for employers, although both groups believe that small firms may find it more difficult than large companies to arrange for part-time work. According to LO's Walander, many chief administrative officers and managers are now taking the partial pension and finding the system to be much more adaptable and beneficial than they thought possible when it was implemented in 1976. That may be one reason why SAF's Svensson predicts that any increases in the plan's participation rate will be among white-collar, not blue-collar, workers.

Still, the 1980 increase in the employers' payroll contribution rate (from 0.25 to 0.50 percent) doubled the direct costs of the program for employers. And according to a 1981 SAF document outlining non-wage labor costs, "If the number of partial pensioners . . . continues to increase, the new contribution will probably also be insufficient in a few years" (p. 9). Recent cutbacks in benefit levels will help reduce overall program costs and will also, observes SAF's Svensson, "allow a more clear-cut difference between working full-time and part-time." While Swedish labor organizations might not agree with employers that the benefit changes have been good ones, employers and workers concur that the program has served their sometimes divergent needs reasonably well and at minimal cost when compared to alternatives.

The case studies which follow outline the specific experiences of three Swedish organizations--Volvo, the largest employer in the country; L.M. Ericsson, a major manufacturing company in Stockholm; and Huddinge University Hospital--in implementing the national partial pension plan.

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# VOLVO

*"Why did the partial pension scheme take root in Sweden? Because enough people wanted it to happen. Enough people had seen a person at age 66 paint the fence ten times in retirement. The purpose of the act is the slow, gradual adaptation of the individual to the fact that one day there will be full retirement."*

*Sigvard Höggren*
*Vice President for Personnel*
*Volvo Corporation*

*"It goes without saying that the increased variety and flexibility in work schedules also demands more of administrative support systems, new forms of organizing work, and management initiatives and imagination. It is a safe prediction, however, to say that people appreciate a free choice of working hours as part of the improvement of their lives and will do so even more during the 80's."*

*Berth Jönsson*
*Assistant to the President*
*Volvo Corporation*

## PROFILE

Volvo is the largest company in Sweden with 47,000 workers employed directly by the firm and an additional 15,000 related workers serving as suppliers, mechanics, and dealers. The organization has 140,000 shareholders, none of whom represents more than 5 percent of the capital. Because of its size, the auto (and truck, bus, and forestry equipment) manufacturer has played a pivotal part in the formulation of public policy in Sweden, and particularly in the development of programs affecting the labor force.

The Swedish national phased retirement or partial pension plan grew out of proposals by the metal worker's union, the second largest labor union in Sweden and the major bargaining representative of Volvo blue-collar employees. Though Volvo considers itself a leading innovator in work-schedule practices, the company's experiences in implementing the government's mandated partial pension scheme illustrate the impact of a nationally-instituted policy *on* a major employer rather than a program introduced *by* one.

## PROGRAM DEVELOPMENT AND PROVISIONS

The partial pension scheme at Volvo and other firms is a national program for older workers in Sweden. Information about the genesis, development, and provisions of this scheme may be found in the country profile on Sweden (pp. 157-164).

## PROGRAM IMPLEMENTATION AND PARTICIPATION

Officials of the Volvo Corporation in Gōteborg met with the project study team in May 1981 to discuss the effects of the partial pension scheme on production, operations, and personnel. In recalling the initial impact of the government program, Torslanda Plant Personnel Manager Hans Lenerius noted that the consequences of the policy were not felt immediately because it took time for detailed information about the program's provisions to reach employees and then for them to decide to participate. Many workers were afraid that the income they would lose by working part-time would not be sufficiently replaced by the partial pension. But over time, information about the program and its financial consequences for participants has become more or less common knowledge.

Blue-collar workers are told about the phased retirement plan largely through formal union communiques and informal communication networks within the labor force. According to Lenerius, supervisors and personnel officials do not take an active role in the dissemination process to blue-collar employees, but the policy is outlined in the Volvo Managers Handbook. (This material has been translated into English and follows the Volvo case study.) White-collar employees at age 59 are invited by the company to a yearly information meeting concerning financial affairs in retirement. The partial pension scheme, company pension plan, old-age insurance provisions, and other retirement income issues are discussed at that forum.

Employee fears that lost wages and salaries under the partial

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pension plan might be too great have also diminished with time. Once eligible employees realized that, with the steep income tax rates in Sweden, after-tax wages for full-time work were about equal to part-time wages plus the partial pension, the plan gained in popularity. In 1976, 47 (or 25 percent) of the 187 workers and staff eligible for the scheme at the Torslanda plant took advantage of it. By 1981, the number of participants had grown to 117 (or 42 percent) of 278 eligible employees.

From a corporate perspective, the partial pension plan has proved comparatively easy to implement at Volvo. Scheduling changes required when older employees decide to reduce their hours under the plan have not been a problem. In fact, part-time employees in 1981 constituted 8 percent of the labor force at the Torslanda facility in Göteborg, so the national plan permitting older employees to shorten their working time prior to retirement is perceived as a normal and not extraordinary policy for Volvo. To accommodate the various shifts at Volvo and the multiple leave-time options available by law to Swedish workers (e.g., child care, partial pension, educational study, language training), the company has 18 different work schedules in place at Torslanda. Employees can also switch from one schedule to another with supervisor approval if the change "can be meshed with the workforce and company needs."

Shop foremen are responsible for insuring that workflow gaps due to employee absences are filled. To do so, they may use other workers, part-time employees, or workers in the plant's reserve pool of employees. In the case of phased retirement leaves, scheduling and workflow accommodations have been eased considerably through job sharing. For example, one partner may work 2 days one week and 3 the next with the other member of the pair working the opposite schedule; or one may fill a post one week and the partner may work the same job the following week.

The optimum length of time for a partial pensioner to be away from the job must balance employee needs and company needs. Volvo officials have limited the time away from work by a partial pensioner to 2 weeks in order to preserve the program intent–to enable workers to ease gradually into full-time retirement–and to allow managers some control over planning and communications. When the leave is too long, neither pensioner nor company benefit; and when the leave is too short, employees do not fully experience the increased leisure time they must adjust to in retirement, and the scheduling problems for the plant increase because pensioner slots must be filled for very brief periods. But as Vice President for Personnel Sigvard Höggren observed, "We have learned that [the partial pension scheme] can exist in rather structured work-hour plants."

Volvo employees at all levels participate in the pension scheme. Factory personnel officials note that most workers reaching eligibility for the benefit at age 60 are no longer stationed on the strenuous assembly line but rather in small work groups off-line, making it easier to adjust work assignments to the absences of the partial pensioners. Volvo also utilizes extensive job rotation to train employees in a variety of jobs and to reduce boredom and physical strain. The rotations are also useful in insuring that colleagues are able to replace absent partial pensioners. Together, job sharing and rotation arrangements at Volvo have served to diminish or eliminate managerial skepticism about the operational efficacy of the partial pension plan for lower-level employees.

Blue-collar and assembly-line workers, however, are not the only Volvo employees to take advantage of the partial pension. In 1981, approximately 10-12 supervisors at the Torslanda plant opted for the benefit. At this level, too, the pensioners are often paired together—one supervisor working one week and the other the next week. Personnel managers interviewed for this study observed, however, that job-sharing arrangements among supervisors are sometimes less than ideal. Workers usually dislike taking directions from two different managers; and when the paired supervisors neither work well together nor communicate well to workers, the problems are compounded. Fortunately, most information concerning personnel policies and work assignments is put in written form to guarantee some consistency and to reduce confusion in a company where one-third to one-half of the employees are foreign workers and one-fifth of the laborers do not speak Swedish.

According to Höggren, the firm can delay an employee's entry into the phased retirement program or shift the participant, particularly a manager, to a position more adaptable to the shortened schedule chosen by the partial pensioner. Such shifts occur very infrequently with only 3 or 4 known cases. Nonetheless, Volvo administrators note that all workers, regardless of job level, are entitled by law to the partial pension benefit if part-time work can be found; and problems, if they occur, are addressed in the best way possible.

## PROGRAM EVALUATION: COSTS AND BENEFITS

For Volvo, the partial pension scheme is just one more variation in an already extensive array of work schedules available to company employees. Using job sharing, job rotation, and other part-time and reserve personnel, managers at the Torslanda facility have been able to accommodate the needs and time preferences of partial pensioners without impeding workflow.

The financial costs and benefits of the plan to Volvo have not been calculated precisely. As an employer, contributions to the partial pension fund by law are equal to 0.5 percent of the total wages and salaries paid by the firm; but attendant costs in rescheduling, retraining, and replacing absent workers have not been computed. Officials note that costs in personnel time to administer the partial pension program as well as the other leave programs are offset by perceived declines in absenteeism among workers who have been given greater flexibility in determining their work schedules.

When asked about costs, Personnel Vice President Höggren replied, "It is very difficult to isolate the many variables in the cost equation and assess a value to them. How do you measure human 'hardware' or a person's satisfaction with the job?" Whether the partial pension option alone increases job satisfaction among Volvo employees has not been assessed by company officials, but personnel managers and union representatives alike agree that the transition retirement policy definitely benefits workers. To their knowledge, no participants at Volvo have returned to a full-time schedule after taking the partial pension, which may attest to their positive response to the program.

Partial pensioner Erik Anderson, who served on the committee to implement the scheme at Volvo, and union representative Jan Rinde expressed strong support for the phased retirement options available to Swedish workers in interviews with the research team. Both are concerned that the income replacement level not be decreased below 50 percent, but they acknowledge that raising it to the previous 65 percent mark may not be economically or politically feasible for the government in the next few years.

Participants in the partial pension plan at Volvo continue to receive all benefits available to full-time employees. Aside from possible job reassignments to accommodate the part-time schedule chosen by a pensioner, the only other adjustment incurred affects some upper-level employees. If their Volvo salaries fall below a set level, managers forfeit their rights to use a company car at minimal costs. But when managers no longer claim the automobile option, their salaries increase by the amount they were charged for the car benefit.

## PROGRAM FUTURE

Volvo, like other employers in Sweden, must adhere to the legislated provisions of the partial pension scheme. Changes are possible only by governmental action; but by virtue of Volvo's size and impact on the national labor and economic fronts, it is highly improbable that the company would be ignored in any major alteration of the phased retirement plan. The consensus among managers, personnel officials, labor union representatives, and participants interviewed for this study at the Torslanda plant is that the program is especially beneficial for older employees entering retirement and costs to Volvo are minimal.

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# VOLVO PARTIAL PENSION PROVISIONS

## Qualification for partial pension

Beginning 1 July 1976 the new law regarding partial pension took effect, which makes it possible for employees between the ages of 60 and 65 to combine part-time employment and partial pension.

The right to partial pension requires, according to law, that a worker reduces his working hours at least 5 hours per week and that the part-time work after the reduction equals on the average at least 17 hours per week. Moreover, he must have worked during at least 5 of the last 12 months and has had a pension-carrying income from employments within the ATP pension scheme during at least 10 years after the age of 45.

## Size of the partial pension

The partial pension amounts to 65%* of that income loss which results after the transfer to part-time work. The fixed partial pension is calculated on the basis of the basic amount.

In estimating the partial pension, consideration is not given to incomes above the highest sickness benefit-carrying income 7.5 x the basic amount. (Sw.Kr. 104,200.- from January 1980.)

The partial pension is considered pension-carrying income from employment under ATP. Old age pension from the age of 65 is not reduced on account of payment of partial pension.

The remaining income after change-over to part-time work is normally estimated at 85-90% of the previous income after taxes.

## PART-TIME WORK

### General

The company looks favorably on the arrangement of part-time work for those who are eligible for partial pension and cooperates as far as possible even though the possibilities are limited.

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* As of January 1, 1981, the partial pension amounts to 50% of lost income.

## Part-time categories

The patterns for different categories of part-time work which at present exist, should be followed. Of these the most common are:

| | |
|---|---|
| –Two employees share one job | (20.5 hrs) |
| –One employee works three days a week | (24.6 hrs) |
| –Three employees share two jobs | (27.3 hrs) |

These part-time categories can be used for daytime as well as shift work. (See "Time wages and rules for payment", tab 8.)

White collar workers and supervisors may have greater problems to share a position. Work assignments in the different departments should therefore, as far as possible, be rearranged to create part-time positions for this category. These part-time categories usually have to be handled from case to case.

## Accommodation of part-time

The main principle ought to be to accommodate the part-time within one week maximum. This means that an employee works one week and is off the next. Longer time off than a week causes planning difficulties for management and reduces work continuity for the employee.

From the production point of view it is valuable that the part-time includes full days. An employee can for instance work every other day or three days one week and two days the next.

Regarding working time arrangements, consideration should as a rule be given to every employee's special wishes and to the demand of the job.

## Different groups of interest

In addition to employees with partial pension, there are other groups with demands for part-time work, for instance parents of small children.

However, nothing prevents a full-time job from being divided between two different interest groups that are entitled to part-time work.

### Part-time consideration

Part-time work shall primarily be arranged within that department where the applicant at present has his regular full-time job. The supervisor will investigate.

No employee may, however, demand part-time work that for all practical purposes may mean that the employee can choose between staying in his present position full time or seek part-time work in another department. The local personnel office, human engineering group, or some other body within the unit will investigate the possibilities to effect part-time work in another department within the unit.

When all possibilities to arrange suitable part-time work within the local unit are exhausted, the question will be referred to the employment office, 5200, whose job it is to find work within other units.

## APPLICATION PROCEDURE

### General

1. The employee will contact his immediate superior to inquire about the possibility to work part time.
2. The employee obtains application form and employer's certificate from the local insurance office.

### Alternative I: Part-time work can be accommodated within your own department.

1. Employee and supervisor shall agree when part-time work is to begin and which days and working hours are applicable after the reduction.
2. Supervisor or employer shall send "Change in personnel data" TY 1734 to the insurance administration, Section 5620, regarding change of employee's working schedule.
3. The insurance administration, section 5620, will fill in and sign the employer's certificate.
4. After the insurance administration has registered and

filed a copy of the employer's certificate, the original will finally be sent to the employee who in turn will forward it to the local insurance office.

**Alternative II: Part-time work can not be accommodated within your own department.**

1. Application for part-time work shall be sent to the personnel office of the unit.
2. If part-time work is available in another department within the unit, the new supervisor shall fill in "Change in personnel data" in accordance with point 2, Alternative I. The procedure is thereafter the same as under Alternative I.
3. If no part-time work is available within the unit, the unit's personnel office will forward the matter to the employment office, Section 5200, whose task it is to find and suggest part-time work within any of the main units in the Gothenburg area.

## CHANGES IN APPROVED PARTIAL PENSION

### Termination of part-time work

If a part-time job is discontinued the supervisor shall in adequate time inform the employee of the reason therefore and of the estimated time of the termination.

If, in the future, the employee wants to resume part-time work, he must make a new application. Employees who earlier have held part-time jobs have priority to new part-time jobs. The application procedure is the same. The employee is always entitled to full-time employment. Such employment should first be offered within the unit.

### Return to full time

Should the employee wish to return to full-time status he must inform his immediate superior in advance–circa one month–of his decision. At the same time he shall inform the local insurance office. For a full-time job priority is given to a part-time employee ahead of other applicants.

However, the employee can not demand to have his part-time work changed over to full-time work.

### Changed working hours

If an employee wishes to increase or decrease his part-time in proportion to the original working hours, the supervisor must be informed in advance. At the same time a new applications procedure must take place in order that the pension may be reviewed.

## VOLVO

## EMPLOYER'S CERTIFICATE
### Application for Partial Pension

According to paragraph 4 of the partial pension insurance law, the employer shall, on demand, issue an employer's certificate.

1. **Information about the employee**

Last name and first name Social Security No.

______________________________

Employed from (date) Still employed Employment ended (date)

__________ ☐ yes ☐ no __________

2. **Work* in employment**—during the last 12 months (counted from the day of issuance of certificate)

Work has, during these 12 months, been performed from ______
to ______ number of hours ______

If time worked during these 12 months is less than 1400 hours, this shall be specified on the back of this page.

*In addition to time actually worked, time not worked for which termination pay, vacation pay, lay-off pay or holiday pay has been disbursed, shall be counted. If employment lasted less than 12 months, particulars shall be given for the entire time of employment.

3. **The employee's permanent working hours before reduction**

Hours/week Has it changed during the last 12 months?
______ ☐ No ☐ Yes When and how?

Are working hours regulated by collective bargaining agreement?
☐ No ☐ Yes Permanent working hours according to collective bargaining agreement for full-time employment (hours/week) ______

4. **Most recent income* before reduction**

Employee's salary Pay period Other period
per pay period Sw. Kr. ____ ☐ Week ☐ Month ______

Payments in kind in form of food or lodging. Sw. Kr/year
Estimated according to rules governing computation of preliminary tax.

*The information shall refer to the employee's most recent regular salary before reduction. Income is considered to be all cash payments for employment (not payment for overtime work).

5. **The employee's permanent working hours after reduction**

Hours/week __________ Employed part-time from __________

How will working hours during part-time employment be arranged?

☐ Shorter daily working hours
☐ Fewer whole working days per week
☐ Work every other week

☐ Other method
(Please note under miscellaneous)

Are working hours regulated through collective bargaining agreement?
☐ No ☐ Yes

Permanent working hours according to collective bargaining agreement for full-time employment (hours/week) ____________________

6. **Estimated income after reduction**

Employee's salary per pay period. Sw. Kr. __________
Pay period ☐ Week ☐ Month
Other period __________

Payments in kind in form of food or lodging. Sw. Kr./year.
Estimated according to rules governing computation of preliminary tax.

7. **Miscellaneous**

How long is this part-time work estimated to continue?

☐ Until further notice ☐ Until (date) __________

Notes:

8. **Employer's signature**

Employer's name, address and telephone number ____________________
(include area code) ____________________

Organization number ______________________________
(from National Tax Office)*

Employee's address at work (street and city) ______________

______________________________________________

Date Signature

______________________________________________

*For self-employed persons please indicate social security number.

Insurance company's notes:

Ck No. ______________ Arrival date ______________________

Lk No. ______________ Arrival date ______________________

# L.M. ERICSSON

*"It is so grotesque that you work until you are 65 and then nothing. I sometimes suggest to workers with personal concerns–fatigue, sickness at home, or something–that they should consider taking the partial pension. Those that have done so have found the program very helpful as a way to resolve problems personally. It is a positive thing."*

*Birgit Lundgren*
*Partial Pensioner and*
*Personnel Consultant*
*to Older Employees*
*L.M. Ericsson*

## PROFILE

L.M. Ericsson is a major manufacturer of electronic equipment for telephone, banking, and office use headquartered in Stockholm with 24 plant and laboratory locations throughout Sweden. The firm employs nearly 20,000 workers nationwide, including over 8,600 at the Stockholm facility. Of this latter group, 315 were participating in 1981 in the country's partial pension scheme which allows older workers to shorten their workweek prior to retirement. Under the plan, the company continues to pay wages and salaries for the time worked and a national pension fund reimburses employees for 50 percent of the total income lost due to the reduced hours.

Both labor and management at Ericsson agree that the national phased retirement policy benefits employees and employer. Though participation is strictly voluntary, the reductions in working time chosen by older employees under the partial pension scheme helped the company trim its workforce in the 1977 recession without serious layoffs. According to Per Sparrin, Personnel Director, the need to tighten the labor force continues with the increasing automation of Ericsson operations. Partial pensioners as well as the company benefit from the plan for gradual entry into retirement. Union leaders view the program as a valuable means of providing employees with job flexibility without serious economic penalty as they complete their years with the firm and in the labor force.

## PROGRAM DEVELOPMENT AND PROVISIONS

The partial pension scheme at L.M. Ericsson is a national program for all older workers in Sweden. Information about the development and provisions of this scheme is outlined in the country profile on Sweden (pp. 157-164).

## PROGRAM IMPLEMENTATION

When the "Partial Pension Act" was enacted in 1976, the blue-collar and white-collar unions at L.M. Ericsson and company representatives discussed the best means of making the benefit available to eligible employees–those from age 60 to 65 with 10 years service after age 45. While labor and management both recognized that scheduling and job redesign problems could occur, according to personnel officials, union representatives, and partial pension participants, the problems have been few and solvable. All parties stressed in their interviews with the research team that the effective operation of the program necessitates that the needs of the company *and* the pensioner must be accommodated.

Persons interested in taking the partial pension typically make their requests to the supervisor in charge of their work unit. Together, they review the work needs of the section, the reduced schedule preferences of the worker, the impact of the pensioner's short-term absences on colleagues and workflow, and the possibilities for job sharing of a single position with another partial pensioner or part-time employee.

The need to reschedule work assignments and, in some cases, to reshuffle job responsibilities and facility allocations are major concerns for L.M. Ericsson supervisors in assessing participant requests to enter the program. The company reserves the right to revise an employee's assignment in order to avoid suspensions in workflow, communications, or operations. Many employees, particularly at executive and managerial levels, voluntarily move to less-demanding jobs with less responsibility when phasing into retirement.

Job sharing is encouraged and often arranged by the company so that two or more individuals on reduced work-hour schedules under the plan divide the work and time for one position. Union leaders interviewed by the research team indicated that blue-collar job sharers usually alternate workweeks, while white-collar pairs seem to prefer working 2 days one week and 3 days the next.

According to firm officials, job sharing is not possible in positions requiring continuity in contact with other employees (e.g. supervisors, certain specialists). In such cases, both the company and the union try to identify suitable part-time employment for the pensioner. Both groups acknowledge that as more workers participate in the plan, the difficulty of finding part-time jobs appropriate to the skills and experience of the older workers has increased. (In addition to the firm's partial pensioners, Ericsson employed 518 other part-time workers in 1981.)

The increase in participation rates over time has already forced the company to make one adjustment in internal policies. When first implemented, the program attracted fewer employees that it does now; and the company could allow pensioners to retain their office and laboratory spaces despite their part-time schedules. With more people electing the option, the company no longer has the physical plant area necessary to permit individual offices for all pensioners, and consequently some must share space. Participants agree to relinquish their private offices, if necessary, when they apply for the scheme.

Once participants and supervisors have agreed to the schedule and work load to be assumed by the partial pensioner, both parties must adhere to the provisions for a 6-month trial period. If no problems arise for either the employee or L.M. Ericsson, the schedule and work assignment become fixed for the duration of the phasing period although further mid-course evaluations and subsequent changes can be made at 6-month intervals if the worker and supervisor so agree. Changes are very infrequent (only 5 percent of the enrollees alter their schedules upon completion of the trial period), suggesting that the time spent by the participant and supervisor in setting up the individual benefit program is well used. Copies of the application form and conditions for the partial pension program at L.M. Ericsson follow the company case study. The Central Personnel Department, headed by Sparrin, administers the program for the company.

## PARTICIPATION

Among employees at the Stockholm plant, 230 (or 48 percent) of the eligible white-collar and 95 (or 55 percent) of the eligible blue-collar workers were taking the partial pension in May 1981. While not documented, company officials believe that workers choosing not to take the partial pension do so for economic reasons or because they find their jobs interesting. According to Sparrin, 3 out of 5 enrollees can reduce their workweek schedules without affecting their job levels or responsibilities. Those in supervisory or line positions usually must move to alternative jobs. For example, foremen in charge of sections with highly specialized equipment must be full-time employees, according to company policy, and must transfer to other posts if they decide to participate in the phased retirement program.

Information about the partial pension scheme is disseminated through in-house publications and by the union. Employees who may be considering the benefit can request the union to analyze their expected income and pension levels should they join the program. The company also employs several consultants to assist older workers in understanding the array of government and pension provisions which apply to them, including the partial pension scheme.

## PROGRAM EVALUATION: COSTS AND BENEFITS

Company personnel officials, union leaders, and partial pensioners interviewed for this study all voiced strong support for the national plan to ease into retirement and believe it is a "good one." From a corporate perspective, the plan has provided a mechanism for reducing the workforce voluntarily, which proved essential in the 1977 recession and continues to aid in Ericsson's efforts to slim the labor force without layoffs as the company becomes more automated, particularly in the blue-collar ranks.

Personnel officials see no evidence of decreased productivity due to the shortened work schedules of partial pensioners, but they find it increasingly difficult to identify part-time positions for individual participants.

In terms of outright costs, by law Ericsson and all other Swedish employers must contribute 0.5 percent of payroll to the National Social Insurance Board to finance the partial pensions paid to older workers. When asked if the balance between direct and indirect costs and benefits is a good one for the company, personnel director Sparrin replied, "Yes, yes, very much so."

Union leaders Ralf Pärleby (Chairman, White-collar Workers) and Matz Classon (Representative, Blue-Collar Workers) report increasing popularity for the partial pension scheme among workers and indicate that the program generates relatively few problems for the company or the employees. When conflicts arise, "The union attempts to find practical solutions to them," and "has always been able to work out a resolution or change in working conditions."

A current item for resolution involves the work schedules followed by partial pensioners. Union and management representatives are trying to establish some standardization in the schedules available to participants; but each side may have a slightly different idea about what is feasible and beneficial. There are 10 part-time schedules available, but the company prefers that employees use only 3 of them. The union would like to have 6-7 viable part-time schedules to give workers more flexibility.

Another issue which may eventually call for union-management discussion concerns who is responsible for finding suitable part-time jobs or job-sharing options for partial pensioners. In the project interviews, the union officials indicated that the company is ultimately responsible, while company representatives maintained that in the end it is up to the employee to work out a suitable schedule and work arrangement.

But participants in general, note union leaders, are pleased with the partial pension scheme as implemented by L.M. Ericsson. While the drop in the plan's replacement rate (from 65 to 50 percent of income lost by workers due to their shortened workweeks) has resulted in participants receiving less compensation, the impact on their net income is relatively small due to the progressive tax structure in Sweden. Aside from possible changes in work assignments and office space, participants experience no other alterations in company benefits and privileges.

Five partial pensioners interviewed by the research team in May 1981 agreed with the union assessments. Despite the diversity of their jobs, all were enthusiastic about the benefit and believe that easing into retirement is a positive, realistic way to prepare for it. They viewed their individual experiences with the program as representative of their colleagues who have also chosen to participate.

Not all of the pensioners interviewed kept their same jobs upon entering the program. One executive, who served as Department Manager for Marketing in Central and South America, moved from a line to a staff position in the same section when he decided to enter the partial pension scheme. The new slot was created for him as a means of reducing the responsibilities and pressures on him while retaining his expertise and long-term knowledge of marketing operations. While he was not forced to relinquish his former post, he did so readily, acknowledging that the job required a full-time person; and he noted that the shift benefitted him and the company.

Several program enrollees whose job responsibilities did not change significantly despite their reduced work hours commented favorably on the value of the partial pension scheme as a training mechanism for their successors. The "veterans" on the labor force, observed one pensioner, provide practical on-the-job training for newer, younger personnel. For example, the former chief in the control laboratory now assists his two successors; but he readily admits that the problems are now theirs while the leisure time for a gymnastics course is his.

The participants interviewed did not believe that their absences disrupt workflow. A workshop quality control checker who takes Mondays off under the scheme tries to squeeze as much work as possible into his remaining four days on the job, but what does not get finished is easily completed by the 8-10 other control checkers in his shop. Another participant who works as a secretary prefers to stay home on Fridays to clean house, and she plans ahead so that her co-workers can easily handle her assignments during her absence.

The five older workers appreciated the voluntary nature of the Swedish partial pension scheme and the option to switch back to a full-time schedule and, though not guaranteed, usually to the same job. However, they knew of no worker who had left the partial pension plan after entering it. All five agreed that L.M. Ericsson does everything possible to insure that workers are able to work part-time and enjoy the pension benefit, perhaps because the company realizes that those enrolled in the scheme have been "loyal, deserving employees."

The pensioners concurred with personnel officials and union leaders that the drop from 65 to 50 percent in the replacement level for income lost by participants was not a serious decrease though they indicated that prospective participants in the future might give the program more thought before entering it. The five participants interviewed were all looking forward to full retirement but appreciated the opportunity to do it gradually.

## PROGRAM FUTURE

Major changes in the national partial pension scheme in Sweden must come through legislation, but most agree that further adjustments in the pension replacement level and payroll contributions may be necessary to maintain the program if participation rates and pension outlays continue to increase. While increases in the employer taxes to fund the program have not seriously hurt Ericsson and decreases in the pension replacement rate have not affected participation, the upper and lower financial thresholds respectively for employer contributions to or employee benefits from the partial pension plan remain unknown.

The smooth administration of the phased retirement program and the spirit of cooperation between labor and management at the Stockholm plant in resolving any problems with the scheme suggest that any future changes internally will be reasonably minor and relatively conflict-free. For L.M. Ericsson and its older workers, the benefits of the partial pension scheme—allowing gradual and voluntary entry into retirement without serious economic penalty—far outweigh its costs.

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## CONDITIONS FOR PARTIAL PENSION AT L.M. ERICSSON

(Excerpt from Instructions P 0252-1)

It is of utmost importance, from the point of view of both the employees and the company, that an attempt is made to fulfill wishes for partial pension in a manner advantageous to employees and company alike. The line departments involved must create ways of bringing the wishes of individual employees into agreement with the company's requirements of functioning forms of work and full utilization of premises.

Since partial retirement often leads to increased problems as regards premises, the units involved within the company, especially those with several members of staff partially retired, must be able to organize reallocation of their premises. This may mean that an employee who has previously had a room of his/her own is obliged to accept sharing a room with another employee during the period of partial retirement. It may also mean that working hours have to be coordinated with those of another part-time member of staff.

A prerequisite for partial pension is that the work can be concentrated to specific hours of the day or days of the week. In other cases the number of working days may be established for alternative weeks, for example 2 days the first week and 3 days the second week. There may be no work stoppage, for instance during the summer. In some cases it may be desirable that two persons share a position.

The changeover to partial pension may involve a change of work assignments or that the employee retains only a certain amount of his/her previous assignments. This may, for instance, apply to executive positions and some service jobs.

The first agreement normally covers six months, which is a trial period for part-time. During this period the head of department involved (or equivalent) together with the partially retired employee drafts the form and contents of work for the position. After six months, a joint evaluation is made. and the model for part-time in continuation is established.

______________________________
Signature of applicant

Stockholm ______________________________

# HUDDINGE UNIVERSITY HOSPITAL

*"I plan to take advantage of the partial pension scheme myself. It is a good way to slow down and to try to find something meaningful to do in retirement."*

*Tuomo Perkiö*
*Staff Manager*
*Huddinge University Hospital*

*"With young and old alike on part-time schedules, one's status is not affected by the phased retirement option. Everybody does it."*

*Anja Ek*
*Employment Recruiting Manager*
*Huddinge University Hospital*

## PROFILE

Huddinge Sjukhus is a major teaching hospital located about 25 kilometers south of Stockholm. The facility is an important component of the public health organization for the southwest sector of the greater metropolitan capital area and serves a population of 130,000. The hospital employs 6,000 staff overall, including 700 individuals on call to replace workers who are absent due to child care, illness, education or training, or phased retirement leave–benefits available to all Swedish workers by national legislation.

## PROGRAM DEVELOPMENT AND PROVISIONS

The partial pension scheme at Huddinge is a national program for all older workers in Sweden. Information about the origins, development, and structure of this plan may be found in the country profile on Sweden (pp. 157-164).

## PROGRAM IMPLEMENTATION

Hospital staff eligible for the national phased retirement or partial pension plan must first discuss their interest in taking advantage of the benefit with their individual unit supervisors.

Together the employee and manager review the workload requirements of the section and reach an agreement on the reduced work schedule that will meet the participant's needs as well as the schedule demands of the hospital. Nurses taking the partial pension, for example, typically choose to work half-time (19.12 hours per week) but their schedules are arranged so that they work full days when on duty rather than fractions of days.

The final scheduling plan must be approved by the Staff Manager Tuomo Perkiö and his office before the employee can be certified for the partial pension. Application must then be made to the National Social Insurance Board–the central government agency administering the Swedish phased retirement program.

The implementation of the program has not proved to be difficult for Huddinge. In fact, part-time schedules are more the norm than the exception for the hospital. With the array of leaves (educational, child care, sickness, vacation) available to Swedish workers, Huddinge employs 190 persons for every 100 full-time equivalent positions. The hospital also offers flexitime to its administrative staff. Because workers follow many different schedules, the master coordination of work assignments requires substantial personnel planning. The major scheduling difficulties, note Perkiö and Employment Recruiting Manager Anja Ek, are due to employee absenteeism for illness and educational leaves and not to the few workers on phased retirement. (See participation section which follows.) Given the age of the staff and the training environment of the teaching hospital, Perkiö and Ek expect that scheduling and coverage problems will continue to be the result of educational leaves and not the partial pension.

## PROGRAM PARTICIPATION

Although the hospital does not advertise the partial pension program to its workers beyond alerting them to it as part of their recruitment procedure, the plan is nonetheless common knowledge among employees, according to Perkiö. Despite that, participation in the plan is still quite low.

Since the partial pension scheme's inception in 1976, only 15 Huddinge employees have taken advantage of it. In May 1981, only 5 of the 151 eligible staff members were even participating in the program. The young age of the hospital staff–mean age is 30 years–accounts for the relatively low number of eligible employees, but administrators cannot fully explain the low participation rate in general.

Partial pension plan participation and job level do not appear to be linked at Huddinge. Among the 1981 enrollees were three nurses, one workshop employee, and the hospital's chief medical social worker.

## PROGRAM COSTS AND BENEFITS

Despite the limited participation, personnel officials and union leaders interviewed for this study agree that the partial pension benefit is one way of "humanizing working conditions for the older employee." They know of no participants at the hospital who regret their decisions to ease into retirement under the national plan.

Due to the low enrollment in the scheme, however, hospital officials have not assessed specific costs to the facility in finding or in training replacements for absent older employees or in managerial and personnel time invested in arranging for workers to take the benefit.

As any Swedish employer, the hospital must contribute 0.50 percent of its payroll to help finance the partial pensions paid to participants nationwide. In isolation, the program costs in payroll taxes are not seen as unreasonable or excessive; but personnel administrators at Huddinge hastened to add that the hospital pays taxes totalling about 45 percent of wage and salary costs overall and that the cumulative costs have passed the "breaking point" for Swedish employers.

Huddinge employee union representatives interviewed for this study also expressed concern about the rising costs for social programs in Sweden and observed that labor and management have come to an "understanding that not all requests for worker benefits can be met anymore." With unemployment escalating among younger workers, the unions, according to the hospital labor representatives, are anxious for older employees to take advantage of the partial pension as a means of freeing jobs for younger people out of work. Some groups within the hospital union have even proposed lowering eligibility for the national phased retirement plan from 60 to 58 for those in arduous occupations, which would include nursing, and continuing to permit workers in such jobs to retire fully at age 63.

Overall, both labor and management officials at Huddinge believe that the partial pension scheme is highly beneficial to individual workers. They note that the reduced schedules under the plan provide valuable time without serious economic penalties for older employees to get used to retirement and a new life outside the labor force.

## FUTURE

While personnel administrators at Huddinge anticipate that an increasing number of employees will take advantage of the national partial pension benefit as the hospital's workforce ages, even those enrollment projections are so small that they have not been calculated precisely nor would they alarm organization officials if they were assessed. More troubling for the hospital are the rising costs in health care and personnel in this labor-intensive industry. Changes in social policy are essential, according to hospital officials, if costs are to be kept under control; but Huddinge staff do not expect the partial pension plan to be altered drastically in the process.

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# BELGIUM

Legislative reforms introduced in Belgium in the 1970s encourage workers to retire earlier than the normal pensionable age under social security and allow them to do so without severe economic penalty. The measures are intended to help reduce the nation's high unemployment rate by enticing older workers to leave the workforce prematurely, and the income replacement levels under the various retirement plans explain why early retirement has such appeal for many Belgian workers.

Under current law, the statutory pensionable age for wage and salaried employees under the state social security system is 65 for men and 60 for women. The benefit amount is based on one's average lifetime earnings revalued for wage and price changes. Benefits may be collected up to 5 years earlier than one's pensionable age, but they are reduced 5 percent for each year drawn in advance. Married men whose wives are neither employed nor pensioners receive 75 percent of their average earnings in social security benefits, while single workers or married men with wives earning or receiving a pension are entitled to 60 percent of their average wages or salaries.

For full benefits, males must have 45 years of coverage and females must have 40 years; fewer years result in proportionately reduced allowances. Under special provisions which took effect in 1975 and 1976, males with 45 years service or a requisite number of years in arduous labor can retire with full pension benefits one year earlier (at age 64). The social security system in Belgium is financed by employer and employee payroll contributions along with a federal government subsidy amounting to 20 percent in 1982.

In the mid-1970s, pre-pension benefit provisions were added to the Belgian social security system. According to U.S. Social Security Administration analyst Lois Copeland in a 1977 report, these pre-pension measures were taken "to ease, to some extent, the financial effects of unemployment on older workers who lose their jobs during economic slowdowns" and "to promote the employment of younger workers by encouraging the retirement of older ones" (p. 2).

Since 1975, workers aged 60-64 who are dismissed by their employers and who are eligible for statutory unemployment benefits may receive pre-pension benefits. (Because women normally retire at 60, the dismissal pension in certain circumstances is made available to them after age 55.) These benefits have two components: a full unemployment stipend equal to 60 percent of gross monthly earnings (up to a maximum benefit) and a supplementary allowance equal to 50 percent of the difference between the unemployment benefit and a worker's last annual wages (up to a maximum monthly allowance). Under the plan, workers receive approximately 67 percent of their former wages up to a ceiling. Dismissed older workers may receive the pre-pension benefits until they reach normal retirement age and can collect social security. During the pre-pension period, workers' social security pension benefits continue to accrue as though contributions to the system had continued. The hypothetical earnings are also revalued periodically for wage and price changes, further protecting participants in the pre-pension program from economic penalty due to their dismissal.

Under legislation passed in 1976, Belgian workers who retire voluntarily in the five years preceding their normal retirement ages (men from age 60 to 65, women from age 55 to 60) are also eligible for pre-pension benefits provided their employers fill their vacancies (though not necessarily the same jobs) with unemployed workers under age 30. The pre-pension benefits for voluntary retirement under this plan are calculated in essentially the same way as those paid to older workers who are dismissed for economic reasons, although the monthly benefit ceiling is slightly lower. Thus, early retirement provides workers in Belgium with a pre-pension benefit equalling about two-thirds of their former earnings.

Collective bargaining agreements in the metal industry in Belgium have extended the pre-pension benefit provisions to male workers who retire voluntarily as early as age 55. Such benefits are in place at Bekaert—the steel wire manufacturing company whose phased retirement program is featured in the following case study. According to Bekaert officials, the impact of the national and industrial pre-pension benefits is not difficult to guess: many workers cannot resist the financial appeal of the early retirement allowances and elect to leave the labor force before normal pensionable age. For Bekaert, that means many more workers are entering the company's retirement preparation program (which they can take in the five years prior to, surrounding, or after retirement) sooner than the firm expected. The influx has added to the costs of the program and resulted in some structural changes in the plan's provisions.

According to U.S. Social Security Administration analyst Copeland in discussions with the project director, as of 1982, there is no strong evidence that the pre-pension provisions in Belgium have resulted in lowering the unemployment rate in the country. However, the *Employee Benefit Plan Review* noted in its August 1982 issue that the pre-pension programs have been used to "pare work forces that boast among the highest wage rates in the industrialized world" and to allow older employees to leave jobs which can then be filled by younger workers earning "lower real wages" (p. 46). The resultant savings to employers, according to the *Review*, have been compounded by provisions in the pre-pension system waiving employer social security contributions for six months following the hire of an unemployed person under age 30 (now age 26).

Whatever the impact on Belgian unemployment rates, as long as the pre-pension provisions remain in effect, older workers will enjoy some flexibility in choosing their retirement dates. The program structure appears to benefit employees and employers, and there are no plans to change it in the near future.

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# BEKAERT

> *"To make this transition is a real nightmare. Workers shrink from the changes in their lifeways. For half a century, they have been working and producing; they have deferred to time pressure and production necessities and so developed attitudes that are of little help or have a rather negative impact during retirement. . . . One would be in a position to reap the fruits of active life and be able to enjoy life. . .but generally one does not have the mental attitude, nor the dexterity, nor sometimes the material resources to make something valuable of the new independence and to put it in the place of one's job."*
>
> *"Why a Pre-Retirement Program*
> *at Bekaert?"*
> *N.V. Bekaert, Belgium*

## PROFILE

The N.V. Bekaert company celebrated its centennial in 1980 as a manufacturer of wire and wire products. Not including its subsidiaries located around the world, the Bekaert Group employs nearly 8,000 workers and staff in its parent plant in Zwevegem and factories in Ingelmunster, Aalter, and Dilsen. Demographically, the labor force in these Belgian locations is predominately male (97.6 percent) and unionized (blue-collar–85 percent, white-collar–65 percent). Two out of every three employees (66.6 percent) work in production; 21 percent serve in technical and related areas; and 3 percent are administrative and managerial staff.

Although few Bekaert workers are over 60 years old (less than 1 percent in 1980), most reaching this age choose to participate in an extensive retirement preparation program implemented in 1971 in Zwevegem, and later in "adapted versions" in the other Belgian plants. The "Third Age" program, as it is called, illustrates an evolving transition retirement scheme. When first implemented, workers were invited to participate in a company-sponsored plan giving them one paid holiday per week during their final year of service before retirement (at age 65 for men and 60 for women).

Enrollees were to spend the morning away from the plant as they wished and the afternoon in pre-retirement training and activity sessions at the Zwevegem facility.

In 1973, the weekly paid-leave program was extended to the last 2 years before retirement. By 1975, pre-retirement courses of varying duration were being offered to employees in their last 5 years of work at Bekaert. As age guidelines expanded, participation rates and program costs escalated, forcing the company to revise the older-worker benefits.

In 1977, Bekaert decided to preserve the ½ day of paid leave devoted to retirement seminars and activities at the plant, believing that part of the program to be the most constructive and effective way to prepare employees for non-work lives, but to offer it biweekly over 5 years rather than weekly over 2 years. The ½ day of unstructured paid leave granted weekly over 2 years was eliminated.

The Bakaert phased retirement program thus changed from its inception as a 1-year, weekly scheme combining unstructured and structured leave to a 5-year, biweekly organized pre-retirement program for which workers are also fully compensated for their time away from the job. The changes, according to Bakaert Pre-Retirement Coordinator Andre Coucke and Bakaert Public Relations Director Michel P. Naessens (now pre-retired), have in no way diminished the success of the plan in preparing company employees and their spouses for retirement–the "Third Age."

## PROGRAM DEVELOPMENT

In the 1950's, the Bekaert workforce was much younger than it is today. Many blue-collar employees were unskilled teenagers who came to the plant right out of school, and the company felt strongly responsible for providing these young people with the social and cultural experiences they might miss by their early entry into the labor force. To meet this perceived need, Bekaert established a "Youth Center" in 1958, providing a favorable environment for youth to acquire new knowledge and skills through creative activity, conversation, and cultural forums.

That same sense of corporate responsibility for meeting employee needs as well as an aging workforce in the late 1960's led Bekaert Board Chairman Baron Antoon Bekaert to call for a Management and Development Department study of problems confronting older workers. A small working group of managers, personnel supervisors, medical staff, union delegates, and representatives from the Friends' of Bekaert Pensioners was convened to discuss the needs of aging employees and to insure that any program would address these concerns realistically. (The group still meets occasionally to review the retirement preparation program it was instrumental in implementing.)

The company also contacted experts in sociology, psychology, and gerontology in organizations and universities in France, Great Britain, and the United States, and scanned the available literature on pre-retirement training and aging issues. Demographic projections of the workforce over time, budget proposals, and attitude surveys of future company pensioners toward the proposed program were conducted to establish an empirical basis for the design and costs of the scheme.

When finally presented to the Board of Directors, the "Third Age" program drew unanimous approval from that body. Chairman Bekaert insisted, however, that three conditions be established before authorizing the experimental program:

(1) that it be totally voluntary and open to all employees regardless of job level,
(2) that it be held during regular work hours for which participants would be fully paid, and
(3) that spouses be allowed to participate.

Basic information about the program was and continues to be issued through the Works Council and in personnel reviews. Pre-Retirement Coordinator Coucke and the program staff made and continue to make personal home visits to all eligible candidates and their spouses to explain the program and answer questions about it.

When the scheme was initiated in 1971, eligible workers (men at age 64, women at age 59) were offered one day of paid leave weekly. In the morning, they were free to stay at home and spend their leisure time at will. In the afternoon, participating workers and their spouses reported to the Bekaert Pre-Retirement Training Center for lectures and discussions on financial issues, health topics, marital and sexual concerns, societal issues, and leisure activities. Participants and their spouses were encouraged and taught how to utilize the Bekaert Center's facilities for occupational and recreational therapy, gardening, crafts, and hobbies. The objective of the seminars, discussions, activities, and exercises was and remains the preparation of workers and their mates for the transition from active work lives to enjoyable, independent retirement.

The favorable response of all parties involved–workers, management, and labor–to the "Third Age" program led Bekaert to extend the participation time in 1973 from the last year to the last two years before retirement. By 1975, the scheme had grown to a five-year program for older workers designed as follows:

| *Age* | | |
|---|---|---|
| *Women* | *Men* | *Program* |
| 55 | 60 | 3-day retirement program with pay; first clinical, morphological, and orthopedical examination and interview with medical doctor |
| 56 | 61 | 3-day retirement program with pay |
| 57 | 62 | 3-day retirement program with pay; second examination and interview with medical doctor |
| 58 | 63 | weekly retirement program with pay |
| 59 | 64 | weekly retirement program with pay; third examination and interview with medical doctor |

The pre-retirement preparation program proved to be quite successful, with participation rising to 235 workers in 1976. But as enrollment increased, so did the program costs.

Upon careful evaluation of the various program components and their relative value for participants, Bekaert officials implemented another set of changes in 1977 to bring the program to its present form: the weekly ½-day structured retirement program with pay was made a biweekly scheme and extended to 5 years, and the ½-day unstructured leave provision was eliminated. Program participants now receive the free medical examinations in first, third, and fifth program years; and all older workers and their spouses may attend pre-retirement courses and activities for ½ day with pay every 2 weeks for 5 years at the Bekaert Pre-Retirement Training Center.

## PROGRAM IMPLEMENTATION

Bekaert employees choosing to participate in the retirement-preparation program may enter the scheme at any time during their last five years of company service and may remain in it for a maximum of five years, even if they should decide to retire during that period. Participants are eligible for the program regardless of job level, and they continue to receive full compensation and benefits for the time they spend in the pre-retirement sessions.

Workers and their spouses attend the retirement sessions on the same weekday throughout their participation in the program, allowing employees, supervisors, and families to plan ahead. Throughout the history of the program, necessary arrangements to insure proper coverage and work-flow have been made at the workshop level; and no scheduling problems have been encountered, according to program officials.

Company officials agree that the objectives of the scheme have been realized from the firm's perspective despite changes over time in the benefits offered older workers. Participation rates in the current program, which total 95 percent for employees choosing to retire at pensionable ages and 70 percent for early retirees, suggest that workers are also satisfied with the program.

Problems with communication and intergenerational conflicts among participants and non-participants have not arisen. The biweekly ½-day absences, even though spread over 5 years, are so short that workflows and communication lines are not disrupted. At the managerial level, the time spent away from work for pre-retirement preparation is not markedly different from time spent out of the office for meetings or travel.

Officials Coucke and Naessens observed during the on-site research discussions that the absence of problems may be attributed in part to a strong commitment by Bekaert executives to provide and maintain quality benefit plans for employees. The "Third Age" program budget for 1981 totalled just under 7 million Belgian francs or approximately

$180,000. The major expenditures are salaries for the professional training staff, reflecting Bekaert's emphasis on curriculum to prepare older workers for retirement.

The alterations in the pre-retirement benefit package since its conception a decade ago have been to expand eligibility in order that more workers can take advantage of the program over a longer time period without prohibitive costs to the company. When asked if the benefits have been worth the financial outlay for the organization, Bekaert officials responded, "From a moral, human, and social viewpoint . . . they most certainly have."

## PROGRAM FUTURE

Continual evaluations of the "Third Age" scheme are conducted by Bekaert and the Institute for Sociological Research of the Catholic University of Leuven (Belgium) so that program changes can be implemented when "advisable or necessary." Company respresentatives express complete confidence that the program will continue to be shaped by employee needs, just as Bekaert's economic future will be molded by fast-developing technology and changing product demands. With a rapidly changing market and labor pool, the company is strongly committed to staying "versatile," and the "Third Age" program is one way of doing that.

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# APPENDIX

# DEVELOPMENT OF PHASED RETIREMENT POLICY GUIDELINES WITHIN THE EUROPEAN COMMUNITY

Over the past decade, various European assemblies representing employers, labor, and government have called for the adoption of private- and public-sector policies that would encourage the development and implementation of phased retirement options for older workers. Their recommendations, though varied, reflect a collective understanding that the bridge from work to retirement is often traumatic and painful and provide a picture of the support given phased retirement by the European community.

In 1976, the Committee of Ministers for the Council of Europe (a body comprising 19 Western European states) recommended to its member governments that they "introduce a phased retirement system enabling workers to retire progressively a few years before normal pensionable age and to continue to work part-time for a few years thereafter" (p. 3). The following year, the Council published a working paper describing existing transition retirement schemes available to workers in Sweden, France, Norway, and the United Kingdom–programs which offered older employees the options of reduced work hours or extended leaves to facilitate the move from full-time work to full retirement. (Several programs included in the Council review are the subject of case studies in this book.)

When recommending the implementation of phased retirement systems, the Council addressed two issues which are still alive in the current deliberations concerning these schemes: the potential costs to workers if wages and salaries are reduced along with work hour reductions in the transition and the utility of gliding retirement to ease unemployment. On the first issue, the Council report noted:

> It is hoped that formulae allowing part-time work without disproportionate detriment to income or pension rights may be seriously considered and encouraged inspite of the administrative complications they may entail. . . . The importance of adequate income cannot be over-emphasized in any consideration of retirement. The consensus of research studies has shown that the major fear of the vast majority of people approaching retirement concerns a guarantee of adequate income during retirement. This is especially true in a world-wide situation which is characterized by high rates of inflation and economic stringency (pp. 11-12).

Concerning the linkage often made between the exit of older workers and the entry of younger ones to the labor force, the Council document observed, "There is a widely held view that the early retirement of older workers would materially reduce unemployment amongst the young. This opinion may well be fallacious, because the specific nature of manpower needs and qualifications precludes competition between the young and the old in work" (p. 11).

Echoing the recommendations of the Council of Europe, delegates representing labor and employer organizations and governments from 132 nations meeting at the 1979 International Labor Conference called for provisions "considered desirable in order to allow a smooth transition from working life" including a special benefit "payable in compensation for any reduction in hours of work ' (The 65th session, p. 667). The 1980 ILO Conference (including the United States after a two-year absence) unanimously adopted a formal Resolution establishing guidelines for the member states on policies affecting the working conditions and employment of older persons. As part of that Resolution, nations were encouraged to implement measures to "modify the forms of work organization and working time which lead to stress or to an excessive pace of work" for older employees. Specific suggested measures noted in the 1980 ILO Conference Report (IV-2) included:

> (a) reducing the normal daily and weekly hours of work of older workers employed on arduous, hazardous or unhealthy work;
> (b) promoting the gradual reduction of hours of work, during a prescribed period prior to the date on which they reach the age normally qualifying workers for an old-age benefit, of all workers who request such reductions;
> (c) increasing annual holidays with pay on the basis of length of service or age;

(d) enabling older workers to organize their work time and leisure to suit their convenience, particularly by facilitating part-time employment and providing for flexible working hours;

(e) facilitating the assignment of older workers to jobs performed during normal day-time working hours after a certain number of years of assignment to continuous or semi-continuous shift work (p. 50).

In a draft document shared with the project research team in May 1981, ILO official Tumio Higuchi again emphasized the importance of adequate income protection for workers entering retirement gradually in much the same manner in which the Council of Europe addressed the issue. In noting that the chief problem facing many older workers is the "sudden switch from active life to inactive retirement, with a consequent drop in income" (p. 8), Higuchi described two ways in which workers can reduce their income gradually while "reducing occupational activity in stages." One typical mechanism for bridging the income gap allows workers to draw an old-age benefit and part-time wages concurrently, and the other guarantees workers a supplementary income despite the reduction in working time until eligible for a full old-age pension. Neither option can totally protect an individual against some loss in income upon entering full retirement, but both can minimize the financial impact.

In discussing the problems of gradual retirement policies, Higuchi offered the same cautionary note as the Council of Europe: that regardless of how positive the benefits of phased retirement may be for the "elderly" in "contemporary society," such plans may not solve the problems of youth unemployment "because the aptitudes of the different categories [young and old] are not interchangeable." The ILC draft statement on transition retirement also observed, relative to the unemployment issue, that "during periods of economic recession, employers tend to see retirement of older workers as an opportunity to rationalize operations with a view to reducing labour costs and improving competitiveness" (p. 11).

A third assembly issuing recommendations and papers concerning European retirement policies and practices is the Commission of the European Communities. In 1977, the Commission conducted a survey of more than 8,900 people aged 15 and older and representative of the adult population of the nine member nations. Respondents were asked their feelings about retirement, their plans to retire prior to or after the normal retirement age, and their views on the importance of lowering the standard retirement age. Surveyed Europeans were also asked, "Do you think it would be a good idea or not to have a gradual change from full-time work to total retirement by reducing your working time in several stages?" The results by country are summarized below (p. 35):

### FOR OR AGAINST A PERIOD OF TRANSITION BETWEEN WORK AND RETIREMENT

| | For | Against | Don't Know |
|---|---|---|---|
| | | (in percentages) | |
| Belgium | 70 | 17 | 13 |
| Denmark | 78 | 13 | 9 |
| Federal Republic of Germany | 66 | 17 | 17 |
| France | 76 | 17 | 7 |
| Ireland | 64 | 21 | 15 |
| Italy | 69 | 19 | 12 |
| Luxembourg | 53 | 22 | 25 |
| Netherlands | 80 | 12 | 8 |
| United Kingdom | 72 | 20 | 8 |
| TOTAL COMMUNITY | 71 | 18 | 11 |

In 1979, the Council of Ministers for the nine EEC member states approved guidelines for flexible retirement, noting that such policies for older workers should be voluntary and "developed in liaison with other measures to facilitate a gradual withdrawal from working life at the end of the worker's career, such as part-time work and longer holidays for older workers" (EEC work redistribution, p 24). The Council also requested the Commission to report its conclusions on several issues, including flexible retirement, in specific communications to the Council.

The Commission responded in July 1980 with a discussion document "Community Guidelines on Flexible Retirement" outlining its recommendations. In endorsing phased retirement as one way to avoid the "brutal cessation of professional activity," the Commission suggested that workers be allowed after a certain minimum age to reduce their involvement in the workforce if they so desire. Any loss of earnings should, according to the Commission recommendation, be compensated for by the enterprise (perhaps through collective bargaining in the firm or industry) or by an external source (perhaps an old-age entitlement similar to Sweden's partial pension plan). Social security rights should be fully maintained; and if workers elect to work full-time until retirement, they should be permitted to work part-time in retirement. Arrangements for part-time could be scheduled daily (half-time), weekly (2-3 days a week), or yearly (with longer holidays, for example).

In December 1981, the Commission submitted a draft Recommendation (which would not be binding on the member states) to the EEC Council of Ministers. *The European Industrial Relations Review* (February 1982) indicated that the "Belgian government, which now holds the Presidency of the Council, has made it clear that it will give priority to both sets of proposals [one on part-time work as well] in the coming months" (p. 8). Under terms of the draft Recommendation, the EEC Council would recommend that member states adopt measures necessary "to introduce flexible retirement gradually into the framework of statutory or occupational insurance schemes." Workers in phased retirement programs "should receive a special allowance compensating partly or in full for the reduction in their earnings, and their pension rights should not be impaired" (p. 9).

Furthermore, under the proposed EEC Council Recommendation, member states would have two years to examine "the feasibility of generalizing opportunities for phased retirement" and an additional six months to report their findings—"progress made and obstacles encountered in applying flexible retirement and phased retirement" (p. 9). Member states would also be asked to propose any other measures needed to allow greater phased retirement for workers.

Finally, in 1982, the 125-member nation World Assembly on Aging endorsed a number of employment-related policies. The delegates called on governments to "take or encourage measures that will ensure a smooth and gradual transition from active working life to retirement" including "pre-retirement courses and lightening the workload during the last years of working life . . . by modifying the conditions of work organization and by promoting a gradual reduction of work time" (p. 31). The World Assembly also recommended the extension of part-time or occasional work opportunities or consultancies beyond the highly technological or administrative levels and the skill training necessary to implement such an extension (p. 15).

The passage of the draft EEC Council Recommendation and the efforts of the member states in the European Community in applying the principles of flexible and phased retirement to national and occupational pension schemes are at this writing yet to be determined. But the consensus of the various assemblies of government, labor and employers throughout Europe is clear. Phased retirement has garnered public and institutional support on at least one side of the Atlantic.

In assessing the success of the Europeans in implementing phased retirement programs, Charlotte Nusberg of the International Federation on Ageing concluded in a 1980 background paper for the IFA, "These measures could also be considered part of a larger societal effort to break down the barriers between education, work, training, leisure and retirement, so that individuals throughout their lives are empowered to seek solutions best adapted to their needs" (p. 3). By contrast, according to Nusberg, while the United States has been a leader in easing the constraints of mandatory retirement, the U.S. "has not been as adventurous . . . in exploring some of the other options implied in a true flexible retirement policy." It would "behoove" Americans, in her opinion, "to investigate and learn from the experiences of other countries. . . (p. 14).

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# EUROPEAN PHASED RETIREMENT STUDY SURVEY

This survey is designed to gather information about your firm or industry's transition (also known as gliding, flexible, gradual, or phased) retirement program. Such programs allow employees to ease from full-time work to full-time retirement through a gradual reduction in workhours, workdays or workweeks.

Your organization and twelve other firms across Europe have been selected to participate in an international study of the operation, costs, and benefits of transition retirement programs. The project is being conducted by the National Council for Alternative Work Patterns (U.S.A.) and is supported by a grant from the German Marshall Fund.

The questions included in the attached interview guide have been posed by corporate executives, compensation and benefits managers, and gerontologists in the United States who are vitally interested in the development and administration of transition retirement programs. As you can see, the interview guide is quite comprehensive, but we hope that its length will not alarm you.

In mid-May, an NCAWP research team will be asking these questions in interviews with management, labor, and compensation personnel associated with the thirteen selected European programs. The survey is being sent to you now in order that you may review it prior to the NCAWP visit to your firm.

We do not expect any one firm or industry to have information available for every survey item. Materials, documents, and data available vary from company to company. In many cases, you probably can answer an item with information and written material already available to you. Any relevant data which you are able to gather together prior to our coming will allow us to spend more time during our visit discussing your perspectives on phased retirement policies.

A translation of the interview guide has been made available for your convenience and for the use of respondents who do not speak English. To minimize the amount of translation needed, however, we hope to obtain as much information as possible (in written or oral form) in English.*

Please feel free to parcel the survey sections out to those offices in your organization that are most prepared to respond to them. For example, the questions on program development may best be answered by the program administrator or a top-level manager with oversight for the retirement program. The items on pensions and benefits may be ones that only the compensation office can answer.

The NCAWP research team will be visiting your organization in May. The arrangements for your discussions will be handled by the liaison person designated by your firm or industry. We look forward to learning much from you concerning transition retirement programs and to sharing your experiences with American policy-makers in business, labor, and aging.

## I. PROGRAM OVERVIEW

- A. Would you describe briefly your organization's transition retirement plan?
- B. What is the official name of your transition retirement plan?
- C. Why was your transition retirement program started? What factors were relevant to your decision?
- D. How does the transition retirement program relate to the overall retirement policies of your organization (e.g., mandatory retirement age, retirement benefits, preretirement planning)?
- E. How does the transition retirement program relate to the retirement policies of your country (e.g., mandatory retirement age, social security pension system, unemployment policies for older workers, tax issues, legislative mandates, or industry-wide policies)?
- F. Do you see your organization as "typical" of those in your industry and/or your country or would you regard it as a "pioneer"? Why?

## II. PROGRAM DEVELOPMENT & IMPLEMENTATION

- A. How did the idea of a transition retirement program evolve for your organization (e.g., reading about other organizations' programs, brainstorming sessions, collective bargaining proposal, one person's idea, union proposal)?

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*Translated version sent only to firms in France, Belgium, and Federal Republic of Germany.

B. Why did you choose the type of program you did rather than another form of transition retirement (e.g., why did you implement an extended leave plan rather than a reduced work-week plan, etc.)?

C. What steps were taken in the design and development of the program? Can you trace the process step-by-step over time (e.g., feasibility study, literature review, investigation of other programs, ad hoc committee, pilot project, workforce analysis, employee survey)?

D. Who was involved in the design and development of the program, at which stages, and to what extent? How were they consulted? What were the vertical and horizontal organizational interactions during the program development?

   1. Management—which levels (e.g., top management, department heads, on-line supervisors)?
   2. Union—which levels (e.g., by labor-management committee, collective bargaining, workers councils, quality work groups, informal discussions)?
   3. Workforce—collectively or individually (e.g., through union representatives, employee participation in a pilot project, group discussions, survey of workers nearing retirement age)?
   4. Others (e.g., consultants, community groups)?

E. What were the initial reactions of parties involved in the development and implementation of the program (e.g., acquiescence, support, resistance)? How would you chart and explain changes in their reactions over time (e.g., at program conceptualization, during pilot project, at present time)? (Please provide documentation of reaction if possible.)

   1. Management—which levels?
   2. Union—which levels?
   3. Workforce—collectively and individually?
   4. Others—which groups?

F. How was the program communicated to employees (management and labor)? When? Methods (e.g., publications, meetings, training seminars, preretirement planning sessions)? What was the most successful marketing technique for the program (please provide examples of materials if possible)?

G. Was the transition retirement program evaluated in its early stages? What was measured? By whom? If evaluated, what were the results?

H. What problems or obstacles (e.g., legal or tax issues, interdepartmental conflicts, pension requirements, existing personnel policies) were encountered in initiating the program? How were they resolved? Which ones, if any, were not resolved?

I. If you had the chance to implement the program all over again, what changes would you make?

## III. PROGRAM PARTICIPATION (please supply data where possible)

A. Who may participate in the program (e.g., eligibility requirements of age, service, attendance records, job category)?

B. Is participation in the program voluntary or mandatory? What choice does an employee have in the type of phasing scheme he/she follows?

C. How many workers have participated in the program since its inception? If possible, please provide the number of participants, the percentage of participants to the total number of employees eligible to participate, and the percentage of participants to the total organizational workforce for each year that the program has been in existence.

D. How many years are allowed for phasing into retirement? If time period varies, how and why does it vary? What is the average duration?

E. Of those eligible to participate, which occupational categories participate and which ones do not? Why?

F. What are the characteristics of participants (e.g., age, sex, occupation, income level, work schedule, marital status, spouse's retirement plans)? How do participants differ from non-participants in terms of these characteristics? Why do employees participate?

G. How do participants use their increased leisure time during the transition period (e.g., to develop new leisure activities, to pursue established leisure activities more fully, to work part-time at other jobs)?

H. Are there problems if workers are denied participation in the program (please explain)?

## IV. PARTICIPANT COMPENSATION AND BENEFITS
(please supply data and examples where possible)

A. How does participation in the program affect an employee's compensation and benefits compared with a non-participant's? Please respond in terms of salary; cost-of-living and merit pay raises; savings or profit sharing plans; health, disability, and life insurance; vacation and holiday leave; and sick leave.

B. Are full benefits maintained during the transition period or are benefits prorated according to hours worked? If prorated, what formulas are used?

C. Are benefits which vary with salary and wages calculated during the transition period on the basis of salary and wages which the worker would have received had he/she been working full-time?

D. What impact does participation in the program have on a worker's pension (e.g., vesting, cost-of-living increases in pension benefits, wage or service increases beyond "normal" retirement age, credit accrual)? Please respond in terms of the company's pension plan and also in terms of any other available employee pension plan (e.g., union, industry-wide, and national social security).
How is the participant's pension calculated? Is this computation based on a company policy or is it mandated by law?

E. What costs/savings/benefits are derived by the program participants in work-related expenses (e.g., travel, food, uniforms)?

F. What impact does program participation have on a worker's prestige level or status? from a personal perspective? from the company perspective?

G. How does program participation affect a worker's decision to retire (e.g., does program encourage employees to leave workforce before the "normal" retirement age or to remain in the workforce beyond the "normal" retirement age)? What is the average retirement age for your firm's employees? How has that age been affected by the transition retirement program?

H. Are there any restrictions on outside employment during the transition period (please explain)?

## V. PROGRAM ADMINISTRATION

A. Where does primary responsibility for administration of the transition retirement program lie in the structure of the organization? (Please provide organizational chart if possible.)

B. What is the decision-making structure for participation in the program (e.g., immediate supervisor approval, preretirement planning coordinator approval, automatic participation if eligible, worker initiated, managerial review based on workforce needs)? Can participation decisions be reversed by the company? by the employee?

Is there a contractual agreement between the participant and the company? If so, can it be changed and under what conditions?

C. Are special records maintained for the transition retirement program? for benefits? for scheduling? Are these records stored on and/or by computer system?

D. What mechanisms are used to insure that necessary work is completed during transition retirement periods for a worker (e.g., job redesign, cross-training, temporary hires, absences approved only during seasonal slowdowns)? Do these mechanisms vary depending on the job category?

E. Is an apprenticeship program linked to the transition retirement program? To what extent does the success of the program depend on replacement training?

F. How does the transition program affect the calculation of full-time employees? Is an individual in transition still counted as a full-time employee for budgeting purposes, or is his/her work time computed on a full-time equivalent basis?

G. How are communication lines among program participants, supervisors, and co-workers maintained during a transition retirement period? Does this maintenance vary depending on the job category? How?

H. How are co-workers relationships affected by a transition period? For participants and non-participants? Have morale problems arisen? If yes, what type and how have they been resolved?

I. Have scheduling problems occurred due to transition retirement program absences? How have they been resolved, e.g., job sharing, temporary hires?

J. Does the type of transition program used vary with the job category (e.g., reduced workday for shift workers and reduced workweek for managers)? How does the transition plan used correlate with autonomous nature of job involved? Please explain.

K. How is over-subscription for a transition retirement program handled?

L. Is the transition retirement program available at all organizational locations? Only certain ones? If so, why and where?

M. When faced with unemployment problems in the community or the need to reduce the workforce in the firm, how are those in transition plans affected?

## VI. PERSONNEL POLICIES

A. How has the transition retirement program affected or modified your organization's personnel policies? Please respond to all categories, indicating "no impact" where appropriate.

1. Collective bargaining agreements
2. Promotion policies
3. Performance appraisals–merit pay raises
4. Supervision
5. Career development paths and flexibility for change
6. Human resource planning (demographic projections of personnel needs)
7. Grievance procedures
8. Seniority rights
9. Re-employment of pensioners and retirees
10. Personal leave with pay
11. Paid holidays and paid vacations
12. Overtime provisions
13. Eligibility for other programs and benefits

B. Do you anticipate any future changes in personnel policies as a result of the transition retirement program?

## VII. COSTS AND BENEFITS

What are the costs/savings/benefits to your organization as a result of implementing the transition retirement program? Please be as specific as possible–supplying data if available–in terms of costs/savings/benefits in the following areas and how these have been calculated.

A. Administrative costs/savings (e.g., recordkeeping, supervisory oversight)
B. Balance of training/hiring costs vs. retention of skilled workers
C. Increased/decreased productivity of participants (e.g., efficiency, absenteeism, sick leave usage)
D. Workforce morale (e.g., job satisfaction levels, esprit de corps, workplace tension)
E. Fringe benefit(s) costs/savings (e.g., health, life, disability insurance)
F. Pension fund costs/savings (e.g., fund outlays)
G. Social security payments
H. Salary and wage costs/savings
I. Equipment and supplies (e.g., space needs, buffer inventory costs)
J. Other costs/savings/benefits (please explain)
K. Total program costs/savings/benefits

## VIII. PROGRAM EVALUATION (please supply data where possible)

A. Have the objectives for implementing the program been realized? In what ways? If not, why not?
B. Have there been unanticipated consequences of the program? (please explain)
C. Have the program costs been worth the program benefits for the organization? for employees? Why or why not?
D. Do you intend to continue the program? Why or why not? If so, are you considering any modifications? What kind and why?
E. What additional data or evaluation, if any, are needed to evaluate the program more fully? Do you know of any studies or research projects on transition retirement programs that have been conducted by other firms, the government, or other groups?

## IX. GENERAL INFORMATION

A. What is your company's main line of business?
B. How long has your firm been in operation (years)?
C. How many employees does your firm have (at this site)?

Number of full-time _____ Males (percentage)________
Females (percentage)______

Number of part-time ______
Number of temporary______
Other (please explain) ______

TOTAL ______

D. What is the age distribution of your firm's workforce? (percent)

| *Age* | % | *Age* | % | *Age* | % |
|---|---|---|---|---|---|
| Under 25 | ______ | 55 - 60 | ______ | 67 - 68 | ______ |
| 25 - 40 | ______ | 61 - 62 | ______ | 69 - 70 | ______ |
| 41 - 45 | ______ | 63 - 64 | ______ | Over 70 | ______ |
| 46 - 54 | ______ | 65 - 66 | ______ | | |

E. What is the composition of your workforce by occupational category?* (percent)

%

1. Professional, technical and related workers ______
2. Administrative and managerial workers ______
3. Clerical and related workers ______
4. Sales workers ______
5. Service workers ______
6. Agricultural, animal husbandry and forestry workers, fisherman and hunters ______
7. Production/related workers, transport equipment operators and laborers ______

F. What is the union representation in your firm? Please indicate what job classifications are represented by each union and the number of employees represented by each union.

G. How is your firm governed (e.g., by board of directors, input of rank-and-file employees, under government auspices, etc.)?

H. Do you offer, or plan to offer, any other alternative work schedules to your employees (e.g., flexitime, job sharing, permanent part-time, extended leaves)? If yes, please describe them briefly.

I. How could your community be described (e.g., urban vs. rural, cross-section of skills, "one-company" town, population)?

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*Categories taken from 1980 Year Book of Labour Statistics, International Labour Office, Geneva

J. How would you describe the economic future of your company? How is it growing? How would you relate its future to industry-wide, regional, and national economic conditions (product demand, technological obsolescence, labor surplus or shortage, production costs, inflation, recession, competitive market)?

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